

Financial Services Consumer
Panel response to:
Consultation Paper 121
Reforming Polarisation:
Making the market work for
consumers

April 2002

Reforming Polarisation

Financial Services Consumer Panel response to Consultation
Paper 121: Reforming Polarisation: Making the market work for
consumers

Contents

Summary	3
General Comments	5
Advice	5
Structure of the Market.....	6
Suitability and value	9
Charges - the need for 'unbundling'	11
Defined Payment System.....	12
Better than best.....	13
Disclosure	14
Training and competence.....	15
About the Financial Services Consumer Panel	17
Who is on the Panel?	17
How to contact the Panel.....	19

Summary

The Consumer Panel's main conclusions on CP121 can be summarised as follows:-

- I. **General Comments.** Although the Panel recognises the improvements for consumers that followed from introduction of the polarisation rules in 1988, we do not wish to defend polarisation in the form in which it has developed. Very little shopping around takes place in either the tied or the independent channels. However, we are not convinced of the merits of the proposals put forward in CP121 either. We believe that the proposals are incomplete and that additional measures are needed to secure competition and consumer protection.
- II. **Advice.** The Panel believes that availability of advice is central to making the regime work, whether that regime is polarised or not. There is a 'gap' in the market for advice and steps need to be taken to make advice more accessible, especially to lower income consumers. We will be meeting with a number of advice agencies and consumer bodies with a view to developing more concrete proposals for delivery of the necessary advice.
- III. **Structure of the Market.** We recognise the improvements for consumers brought about by the introduction of polarisation rules in 1988. However, as the FSA's research shows, there are clearly ways in which the operation of the market could be improved in the interests of consumers; accordingly, we do not wish to defend the current polarisation regime. However, we are not convinced that abolition of the polarisation rules will in itself bring about the improvements we seek. We believe that the suitability requirements would need to be strengthened - and applied equally to banks, distributor firms and IFAs - to ensure that the effects of depolarisation would be to reinforce competition in the tied sector and to benefit the consumer.
- IV. **Charges.** We agree that, if advice is to be seen as a separately identifiable product, it needs to be unbundled from the cost of the investment to which it relates and clearly disclosed to consumers. We would like to see all charges unbundled so that they are transparent to the consumer.
- V. **Defined Payment System.** The Panel does not see any logic in the proposal to require independent financial advisers to enter into a defined payment agreement while allowing tied agents and distributor firms to charge commission. We think that equivalence in the market could be achieved by giving consumers the right to choose whether to pay by commission or by a defined payment irrespective of the channel of delivery.

- VI. **Better-than-best.** We are opposed to the abolition of the better-than-best rule. We regard the rule as an important safeguard for the consumer. We do not think that the FSA's proposal to rely on disclosure of conflicts of interest and the imposition of explicit (but as yet unspecified) rules would be an adequate substitute for the better-than-best rule.
- VII. **Disclosure.** The Panel is not convinced that it would be possible to reconcile clear status disclosure with a fully liberalised market. We believe that some sort of market intervention would be necessary. For example, intermediaries could be required to describe themselves as 'salespersons' rather than 'advisers' except where they were truly acting as the agent of the consumer. We would like to know how the FSA proposes to monitor status disclosure in a fully liberalised market.
- VIII. **Training and Competence.** We flag the need - if the polarisation rules are relaxed - for extra training requirements for staff of tied firms that choose to move to multi-tied status. We do not see a two-tier system of advice as an effective means of addressing the advice 'gap'; but we agree that the idea of a portable financial health check - first suggested by the Panel - should be pursued further.

Panel response to Consultation Paper 121: Reforming Polarisation: Making the market work for consumers

1. The Consumer Panel welcomes the opportunity to respond to the FSA's proposals for reform of the polarisation regime and to discuss other changes to regulation set out in CP121.
2. We should make it clear at the outset is that we have taken the view that the FSA intends the proposals contained in CP121 to be seen as a number of individual related proposals for reform rather than a single package of proposals. Indeed, there are a number of individual aspects to the proposals to which it would seem appropriate to respond in an individual way.

General Comments

3. Although the Panel recognises the improvements for consumers that followed from introduction of the polarisation rules in 1988, we do not wish to defend polarisation in the form in which it has developed. Although the FSA's own research demonstrates that consumers do understand the difference between tied and independent advice, it is clear that very little shopping around takes place in either the tied or the independent channels. In the tied sector, this means that consumers are denying themselves the opportunity to compare products of different providers and hence obtain better value; and, in the independent sector, consumers may not be getting best value advice. In these circumstances, we find it hard to argue that consumers are well served by rules that restrict providers to selling their own products and no others. Polarisation is not delivering a regime that is best for consumers.
4. However, we are not convinced of the merits of the proposals put forward in CP121 either. We are concerned about the effect of the proposals on the structure of the market. It is not clear to us that consumers would necessarily benefit from the outcome of any restructuring of the market and we would want to see what rules the FSA intends to put in place to protect the consumer before reaching a decision on whether we wish to support the proposals. Put bluntly, we believe that the proposals are incomplete and that additional measures are needed to secure competition and consumer protection. We call upon the FSA to publish details of specific additional proposals to meet these concerns.

Advice

5. From the consumer perspective, the complementary changes discussed in Chapter 5 of the CP are for us the most important part of the consultation on polarisation. In our view, it is essential that steps are taken to ensure

that all consumers have ready access to independent financial advice. Availability of advice is central to making the regime work, whether that regime is polarised or not. For some time now, the Panel has been pointing to the inaccessibility of independent financial advice to the large majority of the population. There is a 'gap' in the market for financial advice and this is leading to consumer detriment, detriment that is particularly acute in the case of low income consumers who can least afford to suffer in this way. For most consumers, it is just not possible to obtain independent financial advice via an institution on their 'high street'.

6. In its response to the recent Consultation Document on Modernising Annuities issued by the Department of Work and Pensions/Inland Revenue, the Panel highlighted the importance of independent financial advice at the point at which pension savings are converted into pension income. In that context, we suggested that the provision of free independent advice could be funded by a levy on pension providers. Pension savers could be provided with vouchers or a 'green form' (in a manner akin to the community legal service) with which they could obtain free independent advice from a provider of their choice. Alternatively, the levy could be used to establish an independent trust whose job it would be to provide free advice to all pension savers when they reach retirement. A scheme of this nature would address the advice 'gap' in respect of pension savings.
7. What the Panel is saying in response to the Polarisation consultation is that steps need to be taken, not just to provide advice on annuity purchase, but also to address the advice 'gap' more generally. In our view, the ultimate objective should be to establish arrangements that enable and encourage consumers to obtain advice on their financial affairs. We suggest that the FSA should explore this issue further with the Government. We would want to be assured that any initiative on 'advice' was properly funded and supported by appropriate training and competence requirements in respect of those providing the advice. The Panel itself proposes to discuss the matter with a number of advice agencies and consumer bodies with a view to developing more concrete proposals on channels for delivery of the necessary advice.

Structure of the Market

8. Reverting to the proposals for relaxation of the polarisation rules put forward by the FSA in CP121, Panel members have a number of concerns about them. In particular, we question whether the proposals would deal with the problems associated with product and provider bias in the distribution sector. There is a feeling that the proposals run the risk of merely moving existing problems rather than addressing them.
9. The supposition underlying the proposals seems to be that consumers do not shop around. Even though they recognise that it is not offering

independent advice, most people are happy to approach their bank because it represents a 'brand' they can trust and it is readily accessible. The apparent assumption underlying the proposals is that this will not change and that therefore polarisation needs to be relaxed to enable these banks – and the distributor firms – to offer a wider range of products. The vision of providers competing actively on the basis of choice and quality is an appealing one. However, we have grave doubts that this will happen just by sweeping away the existing polarisation rule. At the same time, it will be necessary to strengthen consumer protection measures to ensure that depolarisation works in the consumer interest.

10. In the absence of such measures, we believe there are risks that the financial services market will react to the relaxation of polarisation in a similar way to some other key markets with consumers ending up with poor value products. In the travel industry, for example, the big high street travel agents are all owned by groups which also own major tour operators. 'Going Places' is owned by 'Airtours' and 'Lunn Poly' by 'Thomson', for example. These companies market their own group's brands more strongly than those of other holiday companies. Moreover, they only stock mainly the wares of their own and the other big travel groups, making good value and high quality holidays from smaller tour operators almost impossible to buy from a high-street travel agent. Often they have multiple brands within the group. Airtours has Panorama, Manos, Bridge Travel and Cresta, for example, but does not disclose the links in any obvious way. Thomson has Crystal, Simply, Magic, Jetsave, OSL and Austravel, for example. And Thomson and Lunn Poly are now owned by Tui, a German company which is intending to make the links clear by using the Tui logo with all the different brands it owns. (This is a welcome 'advert' for greater business transparency in general and one which, the Panel suggests, it would be beneficial to replicate in financial markets.)
11. If banks behaved in this way they would 'push' the wares of their own related companies first and of other major financial service providers from whom they could negotiate large amounts of commission as a quid-pro-quo for agreement to stock their products. Even in the present polarised world, institutions are not always as independent as consumers might think with the Lloyds/TSB Group, for example, also owning Cheltenham & Gloucester and Scottish Widows. The uninformed consumer may get the impression that banks are independent and unbiased whereas in fact they may be merely marketing products offered by other parts of the same group. Travel agents and tour operators also market travel insurance very strongly when you buy a holiday from them. However, the insurance they choose can cost consumers three times the price they would pay if they bought insurance independently with huge amounts of commission being paid to the travel company. Moreover, although people who go abroad more than once or twice a year would be much better off with a year-round

policy, they will not be offered such an option by a travel agent or tour operator who is advising them.

12. Mortgage providers work in a similar way, offering buildings insurance from a panel of insurers they may well have selected on the basis of the high commissions they receive from the providers in question. Where commissions are high, the likelihood is that this will be reflected in more expensive premiums. Consumers could often save large sums of money by buying their house insurance independently rather than taking the advice of their mortgage lender. It is already sometimes difficult in the insurance market to discover just who is insuring you. The AA, for example, offers AA branded insurance, but this is underwritten by one of a number of companies on its panel. In a depolarised world, these trends may spread into the investment market unless there are adequate rules to protect consumers.
13. Competition is important and the proposals as they stand seem to be somewhat anti-competitive. The element of choice in the market at present is delivered by regulation. There is evidently a presumption that, if the polarisation regime were to be relaxed, market forces will work to the benefit of the consumer. However, this would only work in a situation of perfect competition with consumers willing to shop around to find the most competitive deal. There seems to be little prospect of that happening. Accordingly, as market forces will not in themselves be sufficient to ensure that the consumer gets a fair deal, there will continue to be a need for rules to ensure that competition prevails and that firms' choice of products is not driven by commercial considerations alone. The rules will need to cover areas such as product range (and value for money), disclosure and compliance monitoring. The range of products offered by multi-ties would need to be consumer oriented. Logic would suggest that the necessary rules should be introduced in parallel with the rules that will underpin the new mortgages and general insurance broking regime (rather than being rushed through later this year as CP121 seems to envisage); however, we recognise that a long period of uncertainty vis-à-vis polarisation could in itself be damaging. Interestingly, the CP121 proposals contain no reference at all to the mortgage and insurance broking fields in which the concept of a multi-tied entity already exists. Importing the model that exists in those fields into the financial sector without rules to support consumer protection runs the risk of causing widespread consumer confusion that distributor firms may well seek to take advantage of.
14. As the CP121 proposals stand, we suggest that they could lead to considerable confusion among consumers. Paragraphs 4.16-4.18 of CP121 acknowledge this. Not only would the status of firms need to be made clear to potential customers, but also the range of products from which they would choose one which they regarded as suitable for them. In other words, consumers will need to be reminded of the subtle differences between tied advisers, IFAs and distributor firms every time they interact

with the market - particularly in terms of the range of products with which they are working.

Suitability and value

15. As noted above, there are risks associated with relaxation of the polarisation rules, notably of banks being influenced by profit-driven considerations to sell poor products supplied by other providers. Paragraph 3.65 of the CP points out that there is no difference between an IFA and a tied adviser in the obligation to give suitable advice. The definition of suitability, however, does differ, in a way that could undermine competition in a depolarised world. Provider firms must take reasonable steps to ensure that the recommended product is the most suitable of those available in its 'product pool'. On the other hand, an independent intermediary must not recommend a packaged product if it ought 'reasonably to be aware of a generally available packaged product which would be more appropriate' for the individual customer. In other words, independence requires IFAs to be aware of market developments outside any pre-determined pool.
16. As paragraph 4.71 of the CP itself acknowledges, there is also a risk that IFAs will decide to become distributor firms and will use their distribution bargaining power to get deals from the product providers which are in their own best interests rather than those of the customer. This is because, by becoming distributor firms, IFAs would release themselves from the obligation to research the market and offer what's suitable for the consumer. So there could be important value-for-money implications here.
17. Paragraph B55 of the 'Cost benefit issues' acknowledges that 'Whether IFAs select product panels or not they are under an obligation to select products in the interests of consumers. There will be no such obligation for selecting 'multi-ties' and this may increase costs for consumers and reduce choice'. We agree – and the lack of any such obligation could significantly reduce competition if, as seems likely, one or more of the big network firms move to multi-tied status.
18. Paragraph B55 goes on to say that 'In practice, ...the requirement to recommend the most suitable product would restrict the scope to manipulate a panel of providers'. We do not see how the existing suitability requirement for non-independent advisers could achieve this, given that it only requires them to choose the 'most suitable' product from within their existing product pool. The point at which the suitability requirement bites makes a very big difference – as long as the product is not unsuitable, the suitability match will only be as good as the best in the pool. It could still be one of the worst in the market. Of course, tied or multi-tied advisers could choose a product not in the existing pool, but the research published alongside CP121 suggests that this happens only rarely with IFA panels.

19. The Panel has no objection to panels per se if properly run. The research showed that IFA panels can reduce IFA costs while still providing a good service to consumers, but one needs to remember that this came about only as a result of regulatory pressure. The PIA Consumer Panel, in its final annual report, expressed concern about poor practice in choosing panels, and the PIA took steps to ensure that IFAs took account of the suitability requirement in future. Regulatory intervention appears to have been successful – but this success will be undermined, if depolarisation allows multi-tied distributors to operate a ‘quasi-panel’ without any of the research and review required for IFA panels.
20. Tied advisers are under no obligation to choose ties in the consumer’s interest at present. It is acknowledged that depolarisation could widen their ‘product pool’, but there is no evidence that widening the pool is likely to offer better quality. On the contrary, in the absence of rules to protect the consumer, there would be an incentive for tied advisers to widen their pool purely on the basis of the level of commissions they received for selling other products. Furthermore, if IFAs shift in large numbers from tied to multi-tied status, the pressure on providers to compete on quality in order to be put on a panel will diminish. CP121 itself points out, in respect of Table 3, that the poorer value given through the tied appointed representative channel reflects the higher commission which large, appointed representatives can command. Moreover, IFA panels must be reviewed regularly, whereas multi-tie agreements are considered likely to be longer-term.
21. In summary, allowing depolarisation without taking steps to ensure that non-tied advisers choose better products could be significantly anti-competitive. The present requirement for IFAs to ensure that their panels are representative of the market as a whole could not be applied to distributor firms as this would have the effect of ‘turning them back into’ IFAs. However, the effect of not requiring distributor firms to look across the market as a whole would need to be buttressed by rules to ensure that consumer interests were safeguarded. In a depolarised world, the Panel would recommend strengthening the suitability requirement and/or introducing a specific suitability requirement that applies equally to banks and distributor firms (as well as IFAs), to ensure that depolarisation would work to reinforce competition in the tied sector; such a rule would need to be rigorously applied. It seems to us that, without such a rule, consumers could actually be worse off in a depolarised world where a potentially large number of IFAs will have become distributor firms and, in so doing, will have relieved themselves of the requirement to look across the market as a whole to identify a suitable product.
22. The Panel has also considered whether it would be beneficial to consumers if application of the ‘better-than-best’ rule were to be extended to distributor firms in a depolarised environment. We did not reach a

conclusion on this and would like to consider this further in the light of the requisite rules on suitability.

23. For the Panel, a key indicator of the success of any relaxation of the polarisation rules would be the extent to which the new regime improved the position of the large number of people who went to banks to buy packaged products. If the changes failed to improve the position for these people, then something better would be needed.

Charges - the need for 'unbundling'

24. As paragraphs 5.8 and 5.9 of CP121 acknowledge, the FSA's research reveals consumer confusion over how advisers are remunerated and more needs to be done to improve transparency of the cost of advice and the commissions paid to advisers. We would go so far as to say that consumers in general lack knowledge about the charges they pay in respect of financial products. This is because a number of different charges (eg initial commission, trail commission and charges for managing the fund) are typically bundled together and deducted from the sum invested (or premiums paid). We call for greater transparency of charges.
25. To shop around, a consumer needs to know how much a product costs. For most ordinary consumer goods, this is the same as the price. This is the basis on which consumers do their shopping around; they look for quality at a competitive price they can afford. In other markets, where products are bundled together, there has been a move in recent years to 'unbundle' products so that the consumer has the option on whether or not to take out the ancillary product. In the housing market, for example, borrowers have the option on whether to take out buildings/contents insurance from their mortgage provider. The 'unbundled' items are priced transparently and this encourages shopping around. If advice is to be seen as a separately identifiable product, with a separate cost, we agree that it needs to be unbundled from the cost of the investment to which it relates and clearly disclosed to consumers. Importantly, consumers would then be in a position to decide for themselves whether they have received the advice in question and, if not, to withhold the relevant payment.
26. If a consumer needs some advice on the product they should purchase, under the CP121 proposals it seems more likely that they will go to a distributor than to an IFA, unless they have in mind a purchase that will generate commission (which can be rebated), or they have enough money not to worry about paying fees if no commission is generated. Giving distributors the opportunity to sell products of a number of providers is making going to a distributor is proxy for 'good enough' competition: not allowing consumers to choose from the widest range, but choosing from a wider range than just the products of a tied adviser. On the distribution side, the commission will presumably also be tailored to this channel.

27. So when going to a distributor, consumers ought to be able to find out how much the advice costs and the level of charges inherent in the product cost so that they can identify the lowest cost of advice and the lowest level of charges, rather than some combination of the two that will not allow them to decide which channel is best. If comparison is made with house buying, a consumer ought to know what the purchase price is, what the legal fees are and how much more than the purchase price they will be required to repay through the mortgage. All three are ingredients of competition.
28. If a consumer knows what they want, has done some research in the comparative tables and chooses to buy direct, they should not be paying the same amount of money as someone buying with advice. On the analogy of buying a newly built house from the builder, this would be like paying the builder the legal fees even if the buyer carries out their own conveyancing. There ought logically to be a third tailored 'cost' of distribution. Only by going to discount brokers can consumers avoid paying the advised cost of distribution. Many lower income consumers will not know that they can do this or feel confident about it if they do. And even buying from discount brokers can involve trail commission.
29. A consumer who has bought one ISA with advice might well feel confident enough to buy one the following year without advice, but might not want to approach a discount broker or buy off the page. Distributors who had to show separately how much advice costs would have an incentive to ensure that the advice was of a sufficiently high quality that they could justify the price charged.
30. Setting the price of advice separately from the other charges might allow unbundling of an advice service as well as unbundling the presentation of commission. The cost of distribution would vary and would be expressed differently according to how much advice is given. If advisers were paid for giving advice separately, as opticians are paid for prescribing glasses, then a selling market could develop on the basis of consumers turning up with prescriptions. Most people would probably buy from the place they got their advice, but this might not necessarily be the case. However, where it was not, the question of how advice would be paid for would arise.

Defined Payment System

31. Although we welcome the opportunity to debate the interaction between fees and commission, we believe that the proposal to restrict use of the description 'independent' to firms who are remunerated on a fee or defined payment basis is flawed. This may go some way towards addressing the anomaly described in paragraph 4.30 of the CP, but, in Panel members' eyes, there is really no logic to the proposal requiring independent financial advisers to enter into a defined payment agreement while allowing tied agents and distributor firms to charge commission.

32. If ultimately VAT is payable on fees, but not on commissions, it also seems unfair to impose VAT on consumers wishing to use IFAs (or, seen from the IFAs' perspective, to discriminate against them in this way). There may be practical ways of getting around this problem, but it would be wrong for tax considerations to drive consumer choices here. The FSA should pay serious attention to these issues.
33. Equivalence in the market - and increased trust in IFAs - could be achieved by simply insisting that all consumers have the right to choose whether to pay by commission or by a defined payment. This right would apply irrespective of the status of the firm they were dealing with. If, at the same time, costs were unbundled, the position would be transparent and consumers would be better equipped to shop around. If this suggestion were taken up, it would remove any incentive for IFAs to change their status merely to avoid the proposed requirement to set up a DPS. Instead, the main change would be focused on the tied sector, which is where the problems are in terms of making it crystal clear to consumers just how much they are paying their adviser in commission.
34. It seems unlikely that a defined payment option will be attractive to the large majority of consumers (the well off may be an exception). Most consumers (especially first-time users) will not want to pay a relatively large up-front fee; they would prefer to continue to pay commission through the life of the product even if this would be more expensive for them in the longer run.
35. There is a feeling that, under the proposals as they stand in CP121, there is a risk that commission considerations will drive consumer choice – ie there will be a perverse incentive for consumers to choose high commission products in order to get as much of their fee rebated back. There would also be pressure on consumers to purchase something every time they saw a financial adviser if they have to foot the bill for advisory sessions where no product is actually purchased.

Better than best

36. In paragraph 4.44 of the CP, the FSA proposes to remove the 'better than best' rule, which allows IFAs to recommend a product from a connected provider only if it is more suitable than another generally available product. Paragraph 4.44 states that the introduction of a defined payments system means that this conflict of interest should not arise.
37. We are not sure about this. Even if there is no commission bias, there may be other pressures on IFAs to recommend the products of the parent company. FSA proposes to rely on disclosure of such conflicts of interest, together with (as yet unspecified) 'explicit rules'. This – together with other proposals in CP121 – would seem to put a considerable burden on the

disclosure system. Research suggests that 'keeping it simple' is more likely to make disclosure effective – if IFAs are required to disclose all such conflicts, straightforward disclosure becomes harder to achieve and less effective in getting the message across to consumers. It also increases the burden on monitoring of the 'explicit rules'. FSA argues that full or partial ownership is permitted in other countries, but there is no analysis of the outcomes for consumers in those countries. Does it create a more competitive market place and do consumers get better deals?

38. Notwithstanding the outcome of the debate over the interaction between fees and commission, Panel members are opposed to abolition of the 'better-than-best' rule. We regard this rule as an important safeguard for the consumer in the current regime.

Disclosure

39. CP121 discusses the risk of increased consumer confusion, and the regime proposed places great dependence on disclosure. We remain to be convinced that disclosure will not be over-burdened. For example, paragraph 4.17 states that 'the research has established that consumers understand the concept of independence, so other types of adviser should be explicable to them'. It is a considerable jump from understanding the concept of independence to understanding the differences between all the multiplicity of other possible types of adviser; indeed paragraph 3.5 states that consumers 'are less clear about what being "not independent" means'.
40. We question whether it will be possible to explain non-independent advisers – or even categorise them - given the fact that a market-driven approach could produce many different types of non-independent salesperson. This came out clearly in the ORC (Potential Purchasers) survey of potential purchasers with medium to low financial sophistication – probably the more natural customer base of multi-tied advisers.
41. The status disclosure research showed how difficult it is likely to be to come out with clear categories and revealed areas of confusion [cf. paragraph 7.39 of the consumer research] – for example between 'independent financial adviser' and 'independent financial consultant'. The research also clearly perceived a distinction between a 'multi-tied' adviser and an adviser paid by commission but selecting from the whole market. Yet, if polarisation is abandoned, it is possible that an adviser may vary from being 'multi-tied' to 'whole market' from customer to customer and product to product (for example, if a tied adviser goes 'off-panel' for a particular product type, or is 'whole-market' for annuities, say, but sells only two companies' pensions).
42. We are attracted by the concept of the Status Disclosure Form contained in CP121 (Annex D), but we do not think it is feasible to design a form that would cater for the whole industry in this respect without it becoming

overly complicated. We feel that the Form needs to be more specific to the firm with whom the consumer is dealing, including where appropriate up-to-date details of other firms which are part of the same Group.

43. The distinction between the status disclosure test document wording 'The products of the companies I sell for' and 'Only the products of the company I sell for' also appears potentially confusing (and the reaction of respondents is not recorded in the research document). This sort of difficulty suggests that it may not be possible to reconcile clear status disclosure within a fully liberalised market: some sort of market intervention (if only to insist on the use of certain names) will be necessary.
44. The Panel believes that financial intermediaries should not be permitted to present themselves as 'advisers' unless they are truly acting as the agent of the consumer. Where this was not the case, we suggest that there should be a requirement for financial intermediaries to describe themselves as 'salespersons' or as 'Agent/Representative of XX company'.
45. We suggest that the FSA also needs to explain how it proposes to monitor status disclosure. Experience with key features documents suggests that the power of the spoken word is such that one cannot rely on checking merely that the correct documents have been handed out. Regular mystery shopping of what is actually said will also be necessary in our view.

Training and competence

46. The research into IFA use of panels suggests a correlation between experience and an ability to cope with a wider product range. Paragraph B30 of CP121 also states that product knowledge may be a limiting factor in the number of products a provider would wish to adopt.
47. If the polarisation rules were to be relaxed, extra training requirements would need to apply to staff of tied firms that chose to move to multi-tied status. Those firms would need to devote resources to training staff to understand and choose between a greater range of products – and indeed, when to look outside the firm's own product range.
48. On the proposal for two tiers of adviser, the Panel sees some attractions in this but also some potential difficulties. For example, it should not be assumed that there is a mass of lower income consumers whose needs will be satisfied by a lower tier adviser whose focus is on sales of a restricted range of products. On the contrary, advisers of lower income consumers need to be focused on the provision of advice and probably need greater breadth of expertise in dealing with varying individual financial needs. A two tier system of advice is certainly not the answer to the question of how the advice 'gap' should be filled in our view. On the

other hand, we find the concept of a portable financial health check attractive and suggest that this idea - which was first suggested by the Panel - should be pursued further in considering how best to ensure that consumers have access to the financial advice they need.

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

Colin is a consultant specialising in consumer affairs, working with consumer organisations throughout the EU and in Central and Eastern Europe. Previously Deputy Director of Research at the Consumers' Association and Senior Fellow at the Policy Studies Institute, he has over 25 years' experience of research and development in social and consumer policy. He was appointed to the Panel in December 1998 and appointed Chairman in January 2001.

Ann Foster (Vice-Chairman)

Ann is an independent consumer affairs consultant and a formerly Director of the Scottish Consumer Council. She is a member of Postwatch, the Consumer Council for Postal Services, and a member of the Health Professions Council. She was appointed Vice-Chairman of the Panel in January 2001.

Jean Gaffin OBE

Jean chaired OFTEL's Advisory Committee on Telecommunications for Disabled and Elderly People until 31 December 1999 and is currently Chair of Brent Primary Care NHS Trust. She has extensive experience of working on behalf of vulnerable customers. Previous positions include: the Executive Director of the National Council for Hospice and Palliative Care Services and Chief Executive of Arthritis Care. She was appointed to the Panel in December 1998 and re-appointed January 2002.

Yvonne Gallacher OBE

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. She was appointed to the Panel in December 1998 and re-appointed January 2002.

Harriet Hall

Harriet is a solicitor with considerable experience of consumer policy and retail financial services. She is a former 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. She was appointed to the Panel in January 2001.

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). Before that she had periods as the Director of Corporate Affairs of 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 union research officer. She is a member of the Labour Party and on their National Executive Committee. She is currently also a research student at Queen Mary College, London. She was appointed to the Panel in January 2001.

John Howard

John is a solicitor with extensive experience of consumer issues as a presenter of the daily consumer panel programmes on Radio 4 'You and Yours'. He is currently a freelance broadcaster and his work includes presenting personal finance programmes. He is a member of the Mortgage Code Compliance Board. He was appointed to the Panel in October 2000.

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 a member of the Consumer Liaison Group of the Medical Research Council. He was appointed to the Panel in October 2000.

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. He was appointed to the Panel in December 1998 and re-appointed January 2002.

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. He was appointed to the Panel in October 2000.

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. He was appointed to the Panel in December 1998 and re-appointed in January 2001.

Dave Watts

Dave is a partner in a media business, which 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. He was appointed to the Panel in December 1998 and re-appointed in January 2001.

Jane Vass

Jane is an independent consumer researcher specialising in financial services. She is a former 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. She was appointed to the Panel in December 1998 and re-appointed January 2002.

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