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Serena Amiri
Financial Services Authority
25 The North Colonnade
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29 April 2003

Our ref: - PR8/DJF

Dear Serena

Professional Indemnity Insurance for personal investment firms

I am responding on behalf of the Financial Services Consumer Panel to CP169; I apologise for the delay in so doing.

Of the three policy options for the short term, we support the FSA's proposal to make changes to the policy conditions that are broadly similar to those made in the general modification made available in November 2002. As the feedback from the PII market has been favourable, this seems to represent a sensible course of action.

On the options for the longer term discussed in Chapter 6 of the CP, we note that the FSA's freedom is likely to be affected by some forthcoming revisions to the EU Investment Services Directive. We also note that the OFT is currently undertaking some work on the PII market, the outcome of which could influence thinking on long-term options. Against that background, we feel it is a little premature to come to any firm conclusions on what is best from the consumer's perspective. That said, we are uneasy about the suggestion that there could be some trade-off between capital and PII levels. For reasons that you allude to in paragraph 6.16 of the CP, we do not believe there should be any link between capital levels and PII.

We note the options over the medium term in relation to the evidential provision. We would naturally find it difficult to support any changes that led to a downgrading in the quality of PII cover available in the market especially if the consequence of this is that consumers receive less redress when making justifiable claims against firms. In short, we do not think that levels of consumer protection should be weakened because of the reluctance on the part of insurers to provide cost-effective PII cover in line with FSA requirements. We certainly would not want any changes to lead to a situation where firms had to comply only with a broad set of principles and consumers themselves were left to decide for themselves whether individual firms' levels of cover provided adequate protection for them.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Colin Brown', written in a cursive style.

Colin Brown
Chairman

cc. Anna Bradley
Stuart King
Lesley Titcomb

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