

Tel: 020 7676 9346
E-mail: enquiries@fs-cp.org.uk

Jeremy Clivaz
Business Standards Department
The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

13 May 2003

Our ref: PR8/MT

Dear Jeremy

DP21: Implementation of the Distance Marketing Directive

I am writing on behalf of the Financial Services Consumer Panel with our response to DP21.

The Panel would be concerned if the implementation of the Distance Marketing Directive resulted in a lowering or weakening of any existing consumer protection measures and strongly support any measures that the FSA takes to minimise this effect. We have comments on questions 2, 3, 4 and 5.

Question 2: Do you agree that we should retain the existing customer classification system for designated investment business?

The Panel strongly supports the retention of the existing customer classification system for designated investment business as well as the retention of existing or proposed rules on pre-contract information disclosure as much as possible when implementing the Distance Marketing Directive.

Question 3: Do you agree that we should retain the existing or proposed rules on pre-contract information disclosure as much as possible when implementing the DMD?

Yes. In addition, the Panel thinks that in any invitations to renew a general insurance contract, firms should be required to send consumers up to date information on coverage and any exclusions in a timely manner.

Question 4: Do you agree that we should amend our existing cancellation rules to the minimum necessary to implement the DMD's provisions?

Question 5: Do you agree that for types of business for which there is currently no right of withdrawal for face-to-face business we should not introduce one?

We do not agree with the FSA's approach here. We agree that FSA should retain existing rights of withdrawal for face to face business, but we think that it would be helpful to extend rules where this would result in consistency across different product types and technological neutrality across different types of service. For example, the

current proposals, as we understand them, would result in a right of withdrawal for deposit contracts sold on a distance basis but not face to face, while unit-linked products would qualify if sold face to face, but not on a distance basis.

In particular the Panel is dismayed that the FSA considers that two areas of consumer protection currently required by its rules cannot be retained. The first is the loss of the right to withdraw from unit-linked products. The current rule does not protect against losses due to market falls, but it does protect against the loss of any setting-up charges and the Panel thinks that this protection is valuable. The second is the loss of the cancellation substitute, where it seems absurd not to give a pre-sale right to withdraw, saving costs all round.

The Panel also urges the FSA not to rule out a right of withdrawal for mortgages. There are some types of mortgage – for example, mortgages for debt consolidation, lifetime mortgages, and non-status mortgages – where there is a possibility of high-pressure selling. Cancellation rights could be a useful safeguard in these circumstances.

Finally, the Panel would like to ask what impact there is likely to be on debt services offered by money advice centres, as some centres manage money on behalf of their clients.

Yours Sincerely,



Colin Brown
Chairman
FS Consumer Panel

cc. The Consumer Panel

FS Consumer Panel can be contacted c/o The
Consumer Panel Secretariat at the FSA

Tel: 0207 676 9346 Fax: 0207 676 9711

Email: enquiries@fs-cp.org.uk

Website: <http://www.fs-cp.org.uk>