

THE CONSUMER PANEL PLAN FOR BETTER FINANCIAL SERVICES

The Panel is an independent statutory body, set up by the Financial Services Authority to represent the interests of consumers in the development of policy for the regulation of financial services. The Panel also takes a keen interest in broader issues for consumers in financial services where it believes it can help achieve beneficial change/outcomes for consumers.

We believe that for consumers to be able to make good choices of real value, both the industry and regulators must take certain steps to deliver a well regulated financial services market. These are....

- 1 **Provide straightforward products which “do what they say on the tin”**
- 2 **Treat customers fairly**
- 3 **Give relevant and unbiased advice**
- 4 **Lend responsibly in the mortgage market**
- 5 **Provide better banking**
- 6 **Supply dependable later life products**
- 7 **Focus on intelligent regulation**
- 8 **Make firms play by the rules**
- 9 **Ensure there is effective redress**
- 10 **Offer timely and appropriate compensation**

FURTHER DETAILS...

WHAT THE INDUSTRY SHOULD DO:

- 1 **Provide straightforward products which “do what they say on the tin”**
 - Simple, safe, comparable products that offer value for money must be widely available;
 - Product innovation and effective distribution should provide real choice and competition for all.
- 2 **Treat customers fairly**
 - Firms should recognise and respond reasonably to the needs of all consumers including vulnerable consumers, be this through age, location, ability, or gender etc;
 - There is clear explanation in advance of a system of transparent and proportionate pricing;
 - End complex product innovation that obscures risk and stop practices designed to lure in consumers or make it difficult to compare products and their true costs;
 - Treat customers experiencing financial difficulty helpfully and sympathetically.
- 3 **Give relevant and unbiased advice**
 - Advisers should act as true agents of their customers, providing them with independent advice uncompromised by sales, product or provider bias;
 - Advisers follow high professional standards with ongoing professional development designed to guarantee good quality and relevant advice;
 - Set simpler advice structures designed to direct consumers towards getting appropriate advice and products. (Decision trees or computer supported tests could aid and simplify this);
 - Successful implementation of Consumer Financial Education Body and its impartial guidance service.
- 4 **Lend responsibly in the mortgage market**
 - Customers are sold mortgages that they can afford;
 - Products can be easily compared and the total cost can be easily understood;
 - Customers are offered tailored, individual solutions to managing mortgage arrears;
 - Lenders use a sensible approach to verifying income for the self-employed and are flexible and intelligent about the form that independent verification of income can take.

5 Provide better banking

- Effective competition is allowed to drive down costs and offer real choice;
- Customer service is driven by customer needs;
- Transparency of costs and charges is improved so it is easier to compare costs between banks;
- Unique transferrable account numbers are attached to individuals, like mobile telephone numbers;
- Sales incentives for bank staff, that drive questionable behaviours, are ended;
- There are proportionate charges for unauthorised overdrafts and fair treatment in using set-off;
- Customers have easier access to interest rate information;
- Basic bank accounts offer internet access for those who want it.

6 Supply dependable later life products

- There is a supply of simple, reliable and comparable saving and retirement products which are easier for customers to understand and use;
- Better support is given for Open Market Options when annuitising;
- Equal compensation cover is available for trustee based and insured SIPP accounts;
- Temporary high balance protection is extended to SIPP and other personal pension savings;
- Stronger action is taken to protect the interests of “With-Profits” policy holders.

WHAT REGULATORS SHOULD DO

7 Focus on intelligent regulation

- Regulators make clear, joined-up and enforceable rules, focused on firms’ approaches to dealing with customers and measurable outcomes;
- One stop regulation for consumers, so for instance consumer credit should be regulated by the FSA for firms regulated by the FSA;
- The correct balance is maintained between prudential regulation (keeping money safe) versus conduct regulation (making customer relationship practices safe);
- There is proactive market and firm monitoring to identify and mitigate risks at an early stage;
- Effective product scrutiny identifies problems before they escalate.

8 Make firms play by the rules

- There is credible deterrence so firms fear the reputational and financial risk of non-compliance;
- Greater supervisory challenge from regulators in an intelligent way;
- Senior management of firms are held to account for the activities of staff;
- Naming, faming and shaming firms by the regulator – identifying firms with the best and worst practices – to drive up standards;
- There is greater transparency with regard to enforcement information so that customers can take action themselves against sharp practices.

9 Ensure there is effective redress

- Ensure firms understand their regulatory obligations to handle complaints fairly;
- Efficient complaint resolution by firms and effective cooperation with the regulator and Financial Ombudsman Service resolves systematic complaints quickly;

10 Offer timely and appropriate compensation

- There are clear and easy to understand limits and levels of compensation;
- Higher compensation limits are implemented;
- Separate authorisation of each retail brand to give customers greater clarity and certainty as to the risk they are running;
- Timely compensation is provided by firms, facilitated by adequate record keeping.

June 2010