

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Norman Digance
Retail Investments Policy
Financial Services Authority
25 the North Colonnade
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Our ref:PR8/PR5/DB

Dear Norman

CP04/10: Child Trust funds

I am writing on behalf of the Financial Services Consumer Panel in response to CP04/10.

Q1 Do you agree with our analysis of the likely role of credit unions in the CTF market?

We believe that some credit unions will want to supply their own cash CTF and we would like them to be able to in the same way that building societies can. We understand that this is not within the FSA's gift and we have written to the Financial Secretary to the Treasury to ask her to look into amending the relevant regulations.

Q2 Do you agree with our regulatory proposals for credit unions wanting to enter the CTF market?

The proposals go as far as the FSA can in reducing barriers for credit unions entering the CTF market and we welcome them.

Q3 Do you agree with our proposed notification requirements?

No comment.

Q4 Do you agree with our proposal that the registered contact should be treated as the 'customer' for CTF purposes and do you agree with our proposals where there is no registered contact?

We agree that the registered contact is the right person to receive the required information about the CTF at and after the point of sale.

Q5 Do you agree that our existing financial promotion rules provide adequate safeguards for consumers who are not the registered contact?

Whilst we agree that the rules are adequate, we note that more important is the extent to which adherence to the rules is monitored and the rules enforced. We would expect supervisors to discuss firms' marketing strategies for CTFs with them and believe that this is an important part of the FSA's work to ensure that firms are treating their customers fairly.

Q6 Do you agree with our proposed disclosure regime for CTFs, in particular that we have identified all the CTF key features?

We disagree with the FSA regarding projections and urge the FSA to consider requiring firms to provide an illustrated projection. We do think that many parents and carers will have a maturity target in mind for a CTF, for example some may link the CTF to providing for their child's college fees. We also think that it is important that parents and carers can compare stakeholder and non-stakeholder CTFs and requiring firms to provide an illustrated projected may make this easier.

We agree with the other suggestions for what should be included in disclosure documents, in particular the emphasis on not being able to access this money until the child is over 18 and on the existence of stakeholder CTFs.

Q7 Do you agree with our regulatory approach to the risk of oversubscription?

We think that the FSA's rules should require firms to set out in their marketing material how they would treat over-subscriptions.

Q8 How do you expect to deal with an account that becomes oversubscribed?

No comment.

Q9 Do you consider our proposals give enough flexibility to organise CTF commercial relationships? If not, what other measures could we take?

No comment.

Q10 Do you agree with our proposals on cancellation rights for stakeholder and non-stakeholder CTFs?

We agree, particularly with the FSA's suggestion for retaining cancellation rights for non-stakeholder products.

Q11 Do you have any comments on what we have said in paragraphs 2.51 - 2.66 above?

We are content that the child through the registered contact receives the specified information annually and that the FSA will turn off their periodic information requirement as a result. We think that the FSA should require firms to provide such information in a way appropriate for 16 year olds who will become responsible for their accounts.

We agree with the FSA that the risk of CTFs being used for fraud or money laundering is very small, especially given the annual limit on subscriptions so we think there should be minimal further identification requirements than the voucher.

We endorse the Government's emphasis on the role that child trust funds would play in helping children and young people to understand money and savings. We urge the FSA and the Government to ensure a proper assessment by an independent communications consultancy is undertaken on the information campaign. In particular, we think that some benchmark figures should be collected for financial understanding prior to the launch of these products. The number of those drawn into the financial market and to who financial information will be targeted is extremely large and represents an important opportunity for understanding communication of financial matters.

I hope this is helpful.

Yours sincerely

A handwritten signature in black ink that reads "Ann Foster". The signature is written in a cursive style with a horizontal line underneath the name.

Ann Foster
Chairman
FS Consumer Panel