

Financial Services Consumer
Panel response to:
Financial Services
Authority/Personal Investment
Authority Consultation Paper on
Free-Standing Additional
Voluntary Contributions

October 8, 1999

Review of FSAVC sales

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FSA/PIA Consultation Paper on Free-Standing Additional
Voluntary Contributions

Introduction

1. This document sets out the response of the Financial Services Consumer Panel (“the Panel”) to the FSA/PIA Consultation Paper on Free-Standing Additional Voluntary Contributions (FSAVCs).
2. The Panel welcomes the proposed review of FSAVC sales, but has a number of concerns regarding the proposal. These concerns are detailed below.

Scope of review

3. The scope of the review is narrower than the Panel would ideally have liked. It was anticipated that the review would cover anyone with an occupational pension that had been sold an FSAVC bringing commission to the salesperson for whom a standard AVC would have been preferable. The Panel has some concerns about the grounds on which the initial active review population is confined to the four categories together with a special examination where AVCs and FSAVCs were sold by the same provider.
4. These concerns derive from the statement made in paragraph 26 of the CP, which mentions that a common finding of the supervision visits to firms was of poor record-keeping in relation to advice and sales of FSAVCs. It then goes on to say that in general there was no evidence of widespread mis-selling. If there is poor record-keeping how is it possible

to be sure that there was no widespread mis-selling in the other FSAVC categories? Unfortunately the CP does not provide an estimate of the likely number of policies to have been “obscured” by this poor record keeping.

5. The Panel is also unsure as to whether the initial active review population includes or excludes “same provider schemes” (paragraph 53). If, as we think, it excludes these cases, some clarification of the estimated population within this category would be appreciated.

Supervising the review

6. The Panel urges the FSA to take the strongest possible action, at the earliest opportunity, against firms that do not appear to be devoting sufficient resources to the review and making all efforts to complete the process within the designated time period. We would press for the FSA/PIA supervisory teams to continue to carry out focused visits to:

- Ensure that firms are devoting sufficient resource and effort to the speedy conclusion of the review; and
- Ensure that there are no other forms of mis-selling lurking elsewhere.

Publicity Campaign

7. The Panel is aware that some sectors of the industry have criticised the review on the grounds that it may jeopardise their Professional Indemnity cover. However, the Panel would not like to see the FSA hamstrung by 3rd party insurers and firmly believes that the FSA’s consumer protection role should be paramount in this matter.
8. The Panel therefore warmly welcomes the information that the FSA has already provided to consumers to enable them to identify whether or not they should seek a review. However, the CP has relatively little to say about how those not within the specified categories will be informed of the

review and, if outside the categories, encouraged to consider whether they themselves should seek review. The Panel is very concerned that the publicity campaign aimed at the non-automatic review FSAVC cases will be too low-key and therefore unlikely to have sufficient impact in either raising awareness of the review or in motivating people outside of the initial categories to respond and request a review.

9. The Panel considers that FSAVC providers should be required to notify all of their existing FSAVC customers that a review is to be conducted. One way of accomplishing this would be for firms to send a FSA factsheet to all of their FSAVC customers with their next scheduled communication, e.g. the annual statement. A special mailing should be arranged for those customers who had either just received their annual statement or alternatively were not due to receive one until after say June 2000.

Timing

10. Bearing in mind the relatively small estimates of cases within the actively reviewed categories (between 57,000 and 110,000), the Panel feels that the timetable requirement should be strengthened and that firms be told that the review must be completed by November 2000. There has already been considerable delay in announcing this review and consumers should not be made to wait longer than necessary for any redress that may be forthcoming.

About the Financial Services Consumer Panel

The Financial Services Consumer Panel was established by the Financial Services Authority (FSA) to advise the FSA Board on the interests and concerns of consumers and to report on the FSA's effectiveness in meeting its consumer protection and public awareness statutory objectives. There are eleven members of the Panel representing a broad range of consumer interests. The Panel is independent of the FSA – it can raise its own concerns, initiate its own research and publish its own reports.

Who is on the Panel?

Barbara Saunders (Chairman)

Barbara is a public interest member of the PIA Board. She is an independent consumer consultant and past Chairman of the Council of the Insurance Ombudsman Bureau. Among other public and professional appointments she is a Non-Executive Director of the St Albans and Hemel Hempstead NHS Trust and a member of the Architects Registration Board.

Colin Brown (Vice Chairman)

Colin is an independent consultant specialising in consumer affairs. Previously Deputy Director of Research at Consumers' Association and Senior Fellow at the Policy Studies Institute, he has over 20 years' experience of social and consumer research.

Jean Gaffin

Jean is Chairman of the Advisory Committee on Telecommunications for Disabled and Elderly People that provides advice to the telecommunications regulator, OFTEL, and a Non-Executive Director of Harrow & Hillingdon Healthcare NHS Trust. She has extensive experience of working on behalf of vulnerable consumers. Previous positions include: the Executive Director of the National Council for Hospice and Palliative Care Services and Chief Executive of Arthritis Care.

Yvonne Gallacher

Yvonne is Chief Executive of Money Advice Scotland, which was set up by the Scottish Consumer Council. She has over 10 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 is Co-Director and Secretary of the Government funded Lead Body for Advice, Guidance, Counselling & Psychotherapy (CAMPAG). Yvonne is a member of the Scottish Consumer Council.

Joan Harbison

Joan is Chief Commissioner of the Equality Commission for Northern Ireland. She has been Chair of the Commission for Racial Equality for Northern Ireland since its inception in 1997 and is a former Chairman and member of the Executive Committee of the Northern Ireland Association of Citizens' Advice Bureaux. She has held a number of public appointments including being Vice Chairman of the Eastern Health and Social Services Board and the Northern Ireland Standing Advisory Commission on Human Rights and former member of the Human Fertilisation and Embryology Authority.

Noel Hunter

Noel is County Trading Standards Officer for Warwickshire. A National Council member of the National Consumer Council, he also chairs the Management Board of the Institute of Trading Standards Administration and is an adviser to the Local Government Association.

Gerald Lanchin

Gerry is a Vice President of the National Federation of Consumer Groups. He is a former Under Secretary of the Consumer Affairs Division of the Department of Trade and Industry and author of "Government and the Consumer". His involvement in consumer protection includes being a former Council Member of Consumers' Association and of Consumer Congress Committee. He was the first chairman of the Direct Mail Services Standards Board and a member of the Data Protection Tribunal for 10 years.

Nick Pearson

Nick is the National Money Advice Co-ordinator for the Federation of Independent 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.

Richard Smethurst

Richard is Provost of Worcester College, Oxford University; he chairs the Training Standards Panel of IMRO, of which he is a non-executive Director. He has served as an economic adviser in Whitehall, and the Monopolies and Mergers Commission, where he was Deputy Chairman. Richard lectures widely on financial and economic topics to businessmen and adult education groups. He is President of the National Institute of Adult Continuing Education.

Jane Vass

Jane is an independent consumer researcher specialising in financial services. She was previously Head of the Financial and Economic Research Group at Consumers' Association and is still author and editor of a number of Consumers' Association publications in addition to other research, including work for the National Consumer Council. Her current committee memberships include: Council of the Ombudsman for Estate Agents, the Inland Revenue Tax Law Rewrite Project Consultative Committee and the FSA Training Advisory Panel.

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.

How to contact the Panel

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