

Financial Services Consumer Panel response to the public consultation on the Internal Market

Introduction

The Financial Services Consumer Panel was established under the Financial Services and Markets Act 2000 by the Financial Services Authority to represent the interests of consumers. The Panel's main function is to provide advice to the Financial Services Authority on its policies and practices as they affect consumers, but it also looks at the impact on consumers of activities outside the FSA's remit and in the international arena. The Panel represents the interests of all groups of consumers, including those who are particularly disadvantaged in the context of financial services and consumers who have little or no access to financial services.

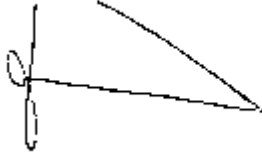
Retail Financial Services

The Panel's remit is retail financial services and many of the questions in the paper do not relate to this area, even indirectly. There are however references on pages 2 and 8 of the Consultation Paper to imperfections in the retail financial services market – specifically that the market is "too fragmented" and "isn't working". But it is not clear what the Commission means by these comments. We feel that there is a need for greater precision in diagnosing problems and identifying solution criteria. We would like to see clarification from the Commission as to what they consider to be the current issues and what would be considered sufficient evidence that these problems had been resolved.

In our view there are significant risks in aiming directly for harmonisation of retail financial services as an end in itself. A more promising avenue for cross border initiatives is likely to be trade at the wholesale level, so that advisers and intermediaries have access to the widest possible range of products from across the EU. Effective harmonisation at the wholesale level would provide the necessary underpinning to a more efficient and competitive retail market. From the retail perspective we are particularly concerned about:

- The criticality of the advice/intermediary element in many financial services transactions. This requires deep understanding of consumer concerns, risk profiles, cultural factors, local tax, benefit and pension regimes, property markets etc. There is a serious risk in treating personal financial services as a commodity that can be traded like goods – or even many other services.
- The need for consumers to be absolutely confident that advisers and intermediaries will provide reliable, competent and trustworthy advice – experience in the UK has shown that in liberalised markets this presents a huge and continuing enforcement and compliance challenge.

We look forward to playing a part in the continuing debate on these issues to the extent that they relate to consumers of retail financial services.



Financial Services Consumer Panel

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