

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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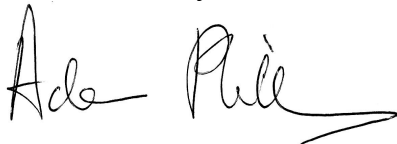
CP 09/18 Distribution of Retail Investments

The Financial Services Consumer Panel welcomes the publication of the proposals to deliver the Retail Distribution Review. The Panel has been consistently supportive of the FSA's objectives for the review and we challenge the industry to embrace the change.

We will be responding formally to the entire consultation, but in the meantime we would like to respond to the two specific questions regarding group personal pensions. As the FSA recognises in the CP, the introduction of auto-enrolment will test the regulatory regime. In particular there may be a risk of selecting against Personal Accounts, when this scheme may be the most appropriate choice. The Panel strongly urges the FSA to work together with The Pension Regulator, the Department for Work and Pensions and HM Treasury to explore ways of mitigating this potential risk prior to 2012.

Our answers to the specific questions are given in the attached appendix.

Yours sincerely



Chairman
Financial Services Consumer Panel

Appendix – Answers to Questions 5 and 14

Q5) What are your views on removing this exemption?

The Panel agrees that removing the exemption on GPPs (Group Personal Pensions) in relation to the independent status of the adviser when providing individual advice is appropriate.

Q14a) Do you agree that Adviser Charging should be applied where individual advice is given on GPPs?

The Panel believes that Adviser Charging arrangements should apply to individual advice in relation to GPPs (although we recognise much of the GPP market is currently unadvised on an individual level). Our reasons for this are:

- The profile of consumers that will be auto-enrolled from 2012 onwards will be different from the profile of consumers currently with workplace-based pensions. These consumers are likely to be less confident in their dealings in financial services. Although the demand for individual advice at 2012 is largely unknown, it is possible that there will be an increase in the proportion of consumers needing advice. Adviser Charging should facilitate access to advice, as it allows remuneration of the adviser by the individual over time, making advice more accessible.
- The Panel supports the aim of the proposals in CP 09/18 - to bring consumers transparent pricing for both advice and products. Applying Adviser Charges to GPPs, in line with other retail investments, will help promote this by ensuring this principle is widely spread across a range of retail investments.

Q14b) Do you think that the principles of Adviser Charging should be applied to non-advised GPP business, and if so, how?

The context for this question is one where intermediary advice provided to employers is largely unregulated – causing a ‘regulatory gap’ of sorts. As the FSA recognises in the CP, this gap is likely to become tested with the introduction of auto-enrolment. In particular there may be a risk of selecting against Personal Accounts, when this scheme may be the most appropriate choice.

The Panel strongly urges the FSA to work together with The Pension Regulator, the Department for Work and Pensions and HM Treasury to explore ways of closing this gap prior to 2012.

To address the specific question posed above, the Panel (while recognising that applying the principles of Adviser Charging between the intermediary and the employer could be challenging) believe the feasibility of this should be

explored further. The Panel sees the following benefits if this were in place:

- Clarity for the consumer; defining and disclosing charges following the principles of Adviser Charging is likely to give consumers greater transparency, in comparison with commission-based charges levied.
- The very nature of this increased transparency to employees may encourage employers to take greater care in agreeing charges to be borne by their employees, if they feel there may be greater pressure to justify these subsequently.