

## One year on – it's time to fight back

As we celebrate our first anniversary, we look at the challenges that lie ahead

SO, WE HAVE completed our first year and it has been a busy one, to say the least. We were hastily formed in time to be involved with the Financial Advice Market Review, in response to a Treasury Select Committee invitation to advise them on the findings of the Heath Report.

The FAMR gave us an opportunity to inform the Government on the problems the industry – and the consumer – were facing as a result of increased regulation and costs. We were also able to suggest to ministers the best way forward for the future of impartial financial advice in this country.

Our findings and our suggestions garnered a lot of support from a large group of cross-party MPs who are keen to help us in our fight to get a better deal for advisers and rein in the regulators.

We launched with a clear aim: To create a democratic voice for IFAs with the resources to do the job. With an ambitious target budget set at £2 million per annum to allow us to compete with the banks, we entered the fray.

The UK Financial Services market is currently the most regulated in Europe. The banks and the insurance companies



understand the power of representation. With a budget which makes ours look like a drop in the ocean, they encourage increased regulation as it gives them a bigger slice of the market, while avoiding taking blame for any of their actions.

And there's no denying their strategy is working. Their concerted pressure led to the sacking of the last FCA Chief Executive who didn't agree with their point of view.

His replacement abandoned the review into Banking Culture, oversaw the sterilisation of the reports into HBOS, RBS and FAMR, and allowed them to sell their own products under the guise of 'guidance'.

Meanwhile the FCA has launched further investigations into IFA practises without detailing the parameters or timeframes they intend to work within.

You've certainly got to hand it to the big players. And that's exactly what the government and the FCA have done. Lock, stock and barrel.

**It's hard to believe that 95 per cent of the adviser community do not belong to any organisation that represents and protects their interests.**



**Advisers must start getting involved in the future of the industry or they will be wiped out.**

There are, at present, over 5,500 directly regulated advisory businesses in the UK. Unbelievably, when you consider how much pressure the sector is under from the government and the regulator, 95% of them do not belong to a trade association that represents and protects their interests.

For the independent sector to survive, this simply cannot continue. Advisers must start getting actively involved in the future of our industry – or they will be wiped out

**We must face facts.**

### Libertatem Services

As mentioned in last month's newsletter, we are delighted to announce that a number of partners have expressed an interest in supporting Libertatem in return for access to our membership.

M&G have offered to run a series of roadshows and conferences which will allow us to get out to meet our members, while Cascade will give us 0.015% of all investments made by our members using their excellent Cash Management System.

The platform allows advisers to quickly and easily identify the best solutions for clients looking to invest large lump sums of cash. Once the client's needs have been satisfied, the system automatically opens up the relevant bank accounts on their behalf. Advisers using the system receive 0.15% commission on all monies on deposit. For more information, please email us at [cascade@libertatem.org.uk](mailto:cascade@libertatem.org.uk)

### Representation is no longer an optional extra.

The business case is clear. FOS can retrospectively decide what the regulations should have been and the regulator can then decide who is at fault. Meanwhile, every day we are failing to satisfy the client's needs thanks to regulatory pressures and fear of giving out what might be deemed to be the wrong advice.

Regulatory costs are increasing by £15 per adviser for every working day. Libertatem costs less than £1 per adviser per working day.

So what are you waiting for? Take the first positive steps towards saving your profession. Join Libertatem today.



If you do not have a voice – **you won't be heard**

All successful professions unite to protect their reputation – **except the financial services industry**

The banks and insurance companies invest heavily in lobbying – **we must compete, or we lose**

**It's time to join your trade association**

**Hear no evil, see no evil, speak no evil... If the adviser community continues to do nothing, we risk the future of impartial financial advice.**



## **FCA survey shows advisers are preferring not to give advice**

The FCA recently released their latest survey and it is possibly their most revealing document to date.

It was a survey taken to register the attitudes of advisory firms across the financial services community.

The information overlaps to a very large extent with last year's Heath Report and many of the findings replicated those results, especially amongst small to medium sized IFA firms.

But the FCA survey does venture into a number of new areas. Firstly, how advisers deal with small pension pots and insistent clients; and secondly why advisers are showing a marked preference to avoid providing mass market advice.

### **RDR knock-on**

Many of the pension pot questions emanate from the contraction of the access to advice caused by RDR. It is clear that the Treasury simply did not understand what its "independent" Regulator was doing in its name. Indeed, the mandarins were quite shocked to learn exactly how the Chancellor's plan to liberate pensions would be delivered. That, along with the publication of The Heath Report, led to FAMR and this latest FCA survey.

The findings put to bed the notion that advisers are refusing to provide advice for those with small pots.

Advice is generally available to those with pots of £35,000 or more and some advice is available to those with £10,000 or more available to them.

However, we could have had more advice available to the consumer had RDR not attacked the business model of "transactional" advisers who would have soaked up a lot of this business.

The main driver is ongoing advice. If advisers see increased business from the client, they are much more likely to accept small pot clients.

Do advisers, particularly small ones, want to be flooded with quantities of small pot clients who do not require ongoing advice? No, of course not. Financially, it doesn't make sense.

### **Reluctance to provide advice**

There is strong evidence that the basic cost of advice may be putting off some small pot clients, with a basic, fixed cost for advice being charged by advisers, regardless of the size of the pot.

Much of that cost comes from the vagaries of the current regulatory system. When this cost is applied to small pots, however, the advisory charge is deemed by the client to be rather high.

The "Insistent Client" issue is a prime example of the failure of the Chancellor and the FCA to act in concert.

This is not an adviser issue. The Chancellor wanted consumers to have total freedom to use their pensions as they saw fit. But the regulator wants to prevent consumers from making rash decisions and wants them to take financial advice. This is not – as the FCA

would have us believe – an adviser issue. On the contrary, it is, without a doubt, a Government policy issue.

The FCA Survey reveals that of the 233 firms surveyed, nearly 200 of them refuse to have anything to do with insistent clients.

They all cite the FOS, Regulation and PI Insurance as the main reason for not involving themselves. Many also state their firm's ethos as being a deciding factor in their refusal to provide advice. This, at least, is an excellent tick in the column for increased professionalism.

Finally, we move to the mass market and why advisers do not want to play. This is where the survey, perhaps unintentionally, is most revealing.

Why exactly have advisers taken their business up-market and out of reach of the average consumer?

Again, over 60% state it down to concerns over the FOS, Regulation and PI Insurance. The mass-market is no longer a viable option with many not even considering it within their business models.

### **Which brings us neatly on to the true purpose of regulation.**

Either it exists to protect the maximum number of consumers within a system providing certainty, regulatory definition and cost controls.

Or, as is presently the case, it exists as a shield to protect those in power from criticism when consumers lose money due to their policies. From Equitable Life to LIBOR and beyond, Government policies and decisions must be protected from criticism at all costs.

The current role adopted by the FCA demands the maximum of uncertainty so that the regulators can clear up the mess without recourse to law.

It needs to be independent, so the Government can claim

The future of impartial advice hangs in the balance – **we must protect and fight continuously for it**

The current regime is unaccountable – **and is damaging your firm and our industry**

Regulatory complexity and costs continue to rise – **advisers must start fighting back**

**It's time to join your trade association**



ignorance at times of media scrutiny.

In turn, that "independence" also guarantees lack of Parliamentary scrutiny, never-ending cost increases, a lack of investment in the sector, job losses and an overall decline of the industry.

The result is very dangerous for the adviser community. Regardless of its claims to the contrary, the regulator is heavily influenced by the Treasury. And the Treasury is heavily influenced by the banks.

The regulator, of course, denies this influence exists. But demands by MPs, journalists and advisers for tangible proof of independence are repeatedly denied.

### Counter-productive results

This survey is so revealing precisely because it shows how counter-productive the current regime has become.

Thanks to regulation's current role as protector to the powerful, advisers tell us that regulation is their primary reason for not venturing into the mass market.

After all, as things currently stand it would be pure folly trying to second-guess what is going to be deemed as being good advice in a decade or more – especially by the FOS.

### Lack of direction

If we had a system where good advice was defined at the outset and FOS delivered its opinions on those definitions, the cost of providing that advice to the consumer would plummet. The sector would become more innovative, access to capital would improve, and advisers would once again be able to service a wide range of clients.

But that requires a change of role which the banks, the insurers, the regulator and the Treasury will surely resist. It can be done, but only if we all unite behind it.

Without realising it, this modest survey defines the purpose of adviser representation and the battle that lies ahead. Is regulation going to be a consumer champion? Or will it purely exist to protect the powerful?

The issue goes a lot further than the Financial Services industry to the way we are currently being governed.

### It's time to speak up

It is quite a startling fact to learn that 95 per cent of all advisers have never joined a trade association or organisation representing their interests.

It is, therefore, quite easy to conclude that advisers are only voiceless because they choose to be so.

But to remain on the sidelines is no longer a viable option. The past 20 years have

seen our industry decline substantially in both numbers and visibility. We no longer have representation in Whitehall and a say in the future of our industry. If we carry on in this manner, impartial advice as we know it will cease to exist, leaving the way clear for the banks to have it their own way.

We believe Libertatem offers a proactive and more lively option to the more networked biased APFA. We have the experience, the connections and, most importantly, the desire to do something about the dire situation we are faced with.

We can push back against the regulator and counter Treasury policy, but only with the right support. Without the adviser community behind us, we lack credibility and the resources required to change

things for the greater good.

Regulatory costs have increased by £15 per day for every working day for every adviser over the past three years. How long can those on the sidelines afford to ignore what is happening to their business.

Meanwhile, the cost of joining Libertatem costs less than £1 per day. As the Mail on Sunday's Chief Finance Editor Jeff Prestridge said at our launch, just a year ago, it is a "No Brainer".

So why not engage the brain and join us. All you have to do is download a membership application form on our website [www.libertatem.org.uk/join](http://www.libertatem.org.uk/join).

It really is that simple. And with costs starting at just £240 per year, it really is a worthwhile investment in the future of our industry.

## Beating the big boys at their own game

As a former director of Wycombe Wanderers, I can fully comprehend the sheer scale of Leicester City's achievement in winning the Premier League.

A tight budget, a supposed 'has-been' at the helm and a group of journeymen who are supposed to be past their best, they took on everybody who said they couldn't do it – and beat them.

They did it by coming together as a team, believing in themselves and fighting every step of the way to change both professional and public perceptions.

### The parallels with our situation are obvious to me.

The FCA are United, Chelsea and City all rolled into one. Unlimited resources with a group of highly paid professionals among their



ranks and a hotline to those who make the rules and pull the strings.

Meanwhile Libertatem and APFA are fighting hard to survive, calling on our supporters to believe in us while we take the fight to those who expect to win.

Leicester City's success is proof that the current trend can be bucked. The FCA does not have a God-given right to trample all over the Adviser community without fear of

upset. With good organisation, a growing membership and support from both the industry and within Government, we can achieve the unthinkable; a reversal of FCA policies and a reduction in the stifling fees currently being levied on us.

A greater man than I once said 'The only thing necessary for the triumph of evil is for good men to do nothing.' He also stated that 'Nobody made a greater mistake than he who did nothing because he could do only a little.' All I ask is that you read those words carefully, digest them, and do what you believe is right for the future of our industry in this country.

My heartfelt congratulations go out to Claudio Ranieri and his Leicester team. He has shown all of us that, regardless of the odds, a well organised team can achieve great things.

**After all, together we are stronger.**



**Regulatory costs have risen, on average, by nearly £2,000 per adviser, each year for the past three years. Libertatem will fight for the future of financial services in the UK – and costs just £240 per annum.**

**It's time to join your trade association**

# Gone fishing... advisers to come under FCA spotlight

The regulator announced last month that it intends trawling through the files of adviser firms looking for examples of poor advice.

500 smaller firms are set to be targeted first, with FCA requests for all single product recommendations – involving investments, pension savings and retirement income – set to be sent out in the coming weeks.

The FCA has identified suitability as one of its key risk areas but the move has already come under heavy criticism, with several leading industry figures branding the FCA initiative a heavy-handed move to justify their own existence.

Libertatem Director General Garry Heath commented "It is now clear that the FCA has been instructed to keep its hands off the banks. It has abandoned its Banking Culture Review, published blame-free reports on RBS and HBOS, sacked its Chief Executive for being too aggressive to banks, and published FAMR which will give banks the ability to sell products while pretending to give guidance. You have to admire the bank's powerful lobbying machine. It is amazing what can be achieved with a bit of unity and an annual budget of £250 million.

"In contrast, the adviser community refuses to scrape together £1m to protect itself despite having a turnover in excess of £7bn. It sleeps whilst this unaccountable regulator embarks on a fishing trip which has the sole aim of creating problems. The FCA needs to find

With the banks being let off the hook by the FCA, the regulator is now trawling through the files of adviser firms in the hope of catching poor examples of 'suitability'



some non-bank issues to substantiate its £500 million annual budget and the unrepresented adviser community is in pole position to become the scapegoat."

Libertatem has written a letter to the Chairman of the FCA, John Griffiths-Jones, requesting a face-to-face meeting. With only three cases in more than 1,000 FOS reviews finding in favour of the consumer, Libertatem wants to find out what is the real purpose of the Review, what standards will be applied, who is carrying out the study and what advisory qualifications the examiners will have.

In addition, the trade association will ask what procedures will be in place to deal with any advice which the Regulator deems to be unsuitable, along with what right to reply will adviser have over any such discover.

Garry Heath went on to say "Regulatory costs are currently increasing – on average – by £15

per adviser for every working day. Now we have a review which is bound to apply new standards retrospectively. Doubt on advice already given will impact heavily, particularly on business valuations.

"Our sector has an excellent record over the past two decades. This compares with the banks who have long overloaded the FOS with cases and have an appalling record of treating their customers fairly. I would love to know why the review of the banking sector has been abandoned while a new one for advisers gets underway. As far as I am concerned, the whole business stinks."

He went on to call all advisers to join Libertatem before it is too late. "The industry is suffering at the hands of the Regulator and urgently needs a co-ordinated approach to counteract it. By joining Libertatem advisers will get representation at the highest levels and an opportunity to fight back."

## Coming soon Libertatem Seminars

We are presently planning the two seminars, the first of which will be held at our High Wycombe offices.

Provisionally entitled **Post FAMR: Improving your business** the guest speaker will be Treasury Select Committee member Steve Baker MP.



The event is open to both Libertatem members and non-members and will give attendees an opportunity to learn first-hand the thoughts of the Treasury Select Committee on FAMR and current regulation. CPD points will be awarded to all attendees. The date will be in early June and will be announced on our website.

Our second seminar will be held in London on July 4th and is, appropriately, entitled Independence Day.

For more information and to book your place, email [garry.heath@libertatem.org.uk](mailto:garry.heath@libertatem.org.uk)



**The Impartial Advisers Association**

[www.libertatem.org.uk](http://www.libertatem.org.uk)

**Libertatem Ltd**

The Clare Charity Centre | Wycombe Road  
Saunderton | Buckinghamshire HP14 4BF  
Telephone 01494 569059 | Email [join@libertatem.org.uk](mailto:join@libertatem.org.uk)