



AIFA SAVES INTERMEDIARIES £11.7M!

In February 2009, FSA released its proposed fees for 2009/10. The original proposals were unfair, heavily discriminating against the intermediary sector, with some firms facing increases of up to 200% in FSA regulatory fees.

In reaction to these proposals AIFA launched a public campaign on the issue. This included significant lobbying activity with Ministers, politicians and the regulator, and the mobilisation of members to respond to the FSA consultation.

As a direct result of AIFA's work, FSA reviewed their cost allocation across fee blocks and significantly reduced increases for intermediaries.

Key Figures

- For IFAs not holding client money (A13) the original proposed total levy of **£50.5m** (£43.9m in 2008/9) has been reduced to £46m, actual: 4.8% - compared to the original proposed increase of 15%.

An overall saving of £4.5m

- For IFAs holding client money (A12) the original proposed total levy of **£27m** (£21.2m in 2008/9) has been reduced to £25.5m, actual: 20.3% - rather than 27.6%.

An overall saving of £1.5m

- For those holding mortgage advising and arranging permissions the original proposed total levy of **£13.7m** (£11.3m in 2008/9) has been reduced to £11.6m, actual: 2.7% - compared with the original proposed increase of 21.2%.

An overall saving of £2.1m

- Firms with general insurance permissions the proposed total levy of **£41.2m** (£34.4m in 2008/9) has been reduced to £37.6m, actual: 9% - compared to the originally proposed increase of 19.8%.

An overall saving of £3.6m

This is a significant and very tangible result for AIFA. We were the only trade body campaigning for lower fees for members. Our work won the day – we are proud to be representing the profession's cause to the regulator, in Westminster & Whitehall – and at the European Commission.

Fair Deal for Intermediaries

Our campaign resulted in the regulator receiving 533 individual responses and 20 responses from MPs.

Lord Turner, Chairman of the FSA, has recognised that banks have not paid their fair share for regulation in the past. A key message in AIFA's lobbying was that banks should pay for the increased regulation of their sector; not IFAs. As a result, banks and other deposit-takers will now pay a total levy of £124.2m rather than £115.6m which was originally proposed – an increase from 94.9% to 109.4%.

If you're not an AIFA member, JOIN NOW!

Help us to win further victories that will help you and your firm stay profitable and successful. AIFA's work is focused solely on helping members run better businesses. Help us to help you. For further information, contact us on 020 7628 1287 or email us at info@aifa.net



Retail Distribution Review

AIFA have been negotiating hard with FSA on the RDR, with the next Consultation Paper released on 25th June 2009. This is what AIFA would like to see from the RDR in the next CP.

Addressing Consumer Needs and Building Trust

• Consumer Understanding

The RDR should create an easy-to-navigate “market map” for consumers. This should allow consumers to easily identify different services that firms are able to provide, and importantly, cannot provide. AIFA firmly believes that ‘advice’ should mean ‘advice’, and that unhelpful interpretations of MiFID should be addressed, rather than accepted as a barrier to consumer clarity.

• “Law of Agency”

The RDR should rebuild consumer trust in UK financial services and the re-establishment of the “law of agency” is key to this. Only those who act as the agent of the client should be able to call themselves advisers. The Law Commission recently published a proposal that states tied-advisers and salespeople are agents of the product provider, while independent advisers are the agents of the client. AIFA believe that “law of agency” should be firmly re-established so it can be made clear to the consumer who is on their side.

• Disclosure

For consumers to understand who acts on their behalf and who acts as an agent of the provider the RDR needs to create clear and understandable forms of disclosure, beginning in financial promotions. There needs to be clear labelling of what services a firm can provide, and importantly, cannot provide.

Disclosure and descriptions of a firm’s services should be in every-day language not industry jargon. RDR should create an environment in which the consumer has the understanding to make responsible choices as to what service best suits their needs.

Remuneration

RDR should create transparent methods of payment that the consumer understands and trusts through:

- Clear distinction between the cost of advice and product cost.
- Customer Agreed Remuneration (CAR), which is flexible and entirely based around the needs and wants of the client; be this an upfront fee or payment through the product.
- A mechanism for recurring payment through the product. AIFA believe matched factoring would provide this through the creation of an industry standard.

Qualifications and Professionalism

RDR should assist consumers understand the professional standards of the advice sector. By introducing a “benchmark” level, that applies to all firms (banks as much as IFAs), consumers will be able to get a fairer deal. We do NOT believe that qualifications are the same as competence – so there must be many ways of showing that good advisers are at the “benchmark” level. AIFA has been a “lone voice” since the start of the RDR wanting to see options to formal qualifications.

We believe there should be:

- The introduction of minimum qualification of OfQual Level 4.
- The introduction of “work place” assessment as alternative to exams to fulfil the OfQual Level 4 competence requirement.

We believe that an “acid test” for the RDR is that it opens up access to advice, not reducing it, as consumer research shows the desire to get financial advice.

“Long stop”

AIFA believes that all firms should have the benefit of the legal protection afforded in law, regardless of their industry. This means recognising the legal position of the statute of limitations.

AIFA Business Academy

Look out for the Business Academy being launched to help members assess the position of their firms against the requirements of the RDR and the latest in business management practices. Free to members, this new service offers a personalised, tailored firm action-plan. Simply complete the “self diagnostic” at www.aifa.net