

## **Retail Distribution Review: A logical approach**

The trade press has been full of coverage about the Retail Distribution Review. Many IFA firms may be wondering whether or not they should take an interest in it. Here we have another huge FSA discussion document which many of you, quite understandably, have neither the time nor the inclination to read. Most firms simply want to know “*How does it affect me? And, if it does affect me, what should I be doing about it?*” This is where your trade body comes into its own. It is our job to read every inch of this document and to feed back to our members what it may mean for them and how AIFA is going to approach a response to these proposals.

Whether or not we agree with the FSA’s starting point – the need to ‘improve’ the retail distribution model - I will tell you why we must engage in dialogue with the FSA on this review. But first I want go over some background.

It is no secret that it is the Government’s policy to improve financial capability, increase the savings ratio and find a solution to the debt problem; all of which are admirable goals. The Government is also been looking at ways that financial services can help solve all of these problems; back in 2001 the Treasury commissioned Ron Sandler to review the medium and long-term retail investment market and the RDR has already been in the pipeline for 2 years. Although some of the proposals in the Sandler Review that were deemed unsuitable have re-emerged in the RDR, to achieve the Government’s objectives it is extremely unlikely that the FSA is going to stop this review even if IFAs launch a full scale attack deploring it.

Those that have been following our work on the RDR over the past year or so will know that AIFA has been represented on all five of the FSA and industry led RDR working parties as official observers. During the process, we used our lobbying skills to influence the working parties to ensure that the final discussion paper would be more consumer friendly and supportive of the IFA profession than the early drafts. Although the current discussion paper may not seem IFA and consumer friendly, the proposals are a lot better than some of the ones originally suggested by the working parties. AIFA’s experience of the working parties is that we can influence through dialogue with rational and constructive criticism.

There are also huge risks for the future of our profession if we do not engage with the FSA on the RDR. It is quite clear that we will stand alone if we start from the position that there is no need for a review. It is not wrong to be in a minority of one. Indeed this is often the place we find ourselves in, for example in matters such as pressing for a review of the Financial Services Compensation Scheme. Failure to engage with the other parts of the financial services industry that are adamant to keep their seat at the table will see them triumph. By keeping our seat at the table we can use logic and reason to influence the RDR.

The IFA profession provides an invaluable service to their customers. The IFA profession can also help the Government meet its public policy objectives. Therefore, there is no

question about ensuring that the UK has a thriving and vibrant IFA community following the RDR; the only area of conflict is the model in which we operate. I think we can find a model suitable for both our profession and consumers.

Over the last month, I have discussed the RDR with a number of senior politicians and civil servants (in addition to having an ongoing dialogue with the FSA). Nearly all agree on the importance of the IFA community; a significant number also seem unconvinced by the FSA's proposals.

We will shortly publish a deep analysis of the RDR and a number of briefing papers for members on each of the key issues raised. Please take a few moments to read them and, even more importantly, respond with your views.

The RDR clock is ticking and the six months discussion period will quickly pass. It is time for rational debate, it is time to stand up for the IFA profession, it is time for us to write and let the FSA know the value of professional, independent, financial advice. Help and support AIFA as we fight for your future.