

Personal Finance Society

Standards | Professionalism | Trust



From industry to profession – the metamorphosis of retail financial services

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Agenda

- Transformational change in financial services
 - The last 20 years, and;
 - Since the Retail Distribution Review
- From sales industry to advice profession
- Some insights from a small business perspective

Transformational change – 25 years past

- Financial Services Act 1986
- Background to regulation in retail financial services
- FIMBRA, LAUTRO, SIB, PIA, FSA...and now FCA
- PIA introduced mandatory qualifications – FPC – in 1995
- And individual registration in 1995
- Anecdotally – some 200,000 “salesmen” were registered including some 30,000 IFAs
- Tighter regulation and increasing qualification requirements leave a market today of 32,500 retail investment advisers

Transformational change – the last 5 years

- “Gleneagles 2006” launched the Retail Distribution Review (RDR)
- Period of major change for retail financial services designed to produce “better consumer outcomes”
- The objectives of the RDR were to establish and promote
 - A transparent business where firms clearly inform their customers on products and services, address their needs and treat them fairly
 - A business with high standards of professionalism that inspire consumer confidence
 - A business where firms are in a position to deliver on their commitments
- And retail financial services has seen HUGE change

Transformational change – the last 5 years

- Financial planners and advisers now operate in an environment where ALL practitioners:
 - MUST be qualified to a minimum of Level 4 with the Diploma in Financial Planning from the Chartered Insurance Institute (CII) or equivalent
 - MUST hold an annually renewable Statement of Professional Standing
 - MUST complete an annual programme of Continuing Professional Development verifiable by their professional body
 - MUST clearly state the type of advice they offer – whether they are independent or restricted
 - Are the agent of the client and the advice relationship is between client and adviser – NOT adviser and provider
 - MUST agree the cost of the advice upfront with clients...and how it will be paid for
 - Operate on a “fee” basis. Commission is banned
 - Capital adequacy

From sales industry to advice profession

- 200,000 insurance salesmen have morphed into 32,500 professional and qualified financial planners with the client at the heart of the business
- Chartered Financial Planner status launched in 2006
 - requires the CII's Advanced Diploma in Financial Planning –level 6 – equivalent to accountants and lawyers
 - 3778 Chartered Financial Planners in the UK (253 in Birmingham region)
- Chartered Financial Planner firm status launched in 2007
 - Requires a stringent set of standards to be met/maintained
 - 555 firms of Chartered Financial Planners in the UK
- Chartered status is proof of the emergence of profession of financial planning
 - Instilling client confidence
 - And the opportunity for mutually beneficial professional connections

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