



Retail Distribution Policy
Strategy & Competition
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

21 June 2019

Dear Sir/Madam,

Call for input on Evaluation of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR)

The Practitioner Panel has the following comments in response to the call for input. The Panel intends to submit evidence to the Treasury Committee inquiry into the future of the UK's financial services, recommending an overarching new vision focusing on the key areas of pensions, savings and tax. Our response to the review of RDR and FAMR should be read in this context, and we encourage the review to form part of this vision.

Now is a good time to review what has happened since 2014, but we caution against a review based on progress on the issues in the industry as they were then. A review of potential harms as they are now, however, will be a valuable exercise.

The distribution landscape has changed considerably since the starting point of the RDR. There have been fundamental shifts, particularly the introduction of pension freedoms in the retirement sector, but also more broadly innovation and technology developments in the intermediation sector. In addition, customers' knowledge and confidence has developed significantly, and the way they interact with financial services providers continues to evolve as they are rapidly able to equip themselves with information. Future solutions need to recognise how people learn, get knowledge and act – this is increasingly done online and companies can, with consent, then use data to help people to the right outcome but always signal availability of advice if needed.

The advice gap

There is a gap in the availability of advice, and a key outcome of the review should be to identify which customer segments are particularly affected. There is a range of subgroups of customers who could benefit from a regulatory architecture that is more supportive of targeted guidance (in the broadest sense), rather than fully regulated advice. We recommend the FCA should focus on identifying the areas where the subgroups with the

poorest financial resilience intersect with the potentially greatest impact from the regulator's action. These gaps will be different across generations, and we encourage the review to build on the FCA's developing thinking on intergenerational differences. Our view is that customers are increasingly likely to have challenges finding access to advice, and that this is likely to be particularly acute in specific areas, such as defined benefit transfers.

The advice and guidance landscape will also be significantly influenced by the activity of the Money and Pensions Service (MAPS). MAPS can, however, only address a relatively small subset of customers. A level playing field which enables providers to offer similar guidance as MAPS but on a commercial basis would help to fill the remaining advice gap. Expanding guidance and personalised help will lead to more take up of advice where appropriate. The role of employers in offering advice and guidance through the workplace is also key to helping consumers make the right choices.

Constraints on advice

The review should also address specific issues which constrain the provision of advice. Costs are an important factor – particularly associated with disclosure documentation, which may not all be helpful. For instance, there is a requirement under MiFID II that if an ongoing service is offered, including a suitability review, this must be done at least annually. This might prove excessive for some customers.

The nature of help, guidance and advice, and the regulatory landscape which facilitates it, must adapt in order to enable consumers to achieve their goals in a way that meets their needs and engagement preferences. The current choice between execution-only and fully advised services is not serving customers well. A review of how they receive help and how that is changing is important to ensure that regulation keeps pace and recognises such change in needs.

We would be happy to discuss any of these points further.

Yours faithfully,

[Signed]

Anne Richards,
Chair, FCA Practitioner Panel