

Financial Conduct Authority
25, The North Colonnade
Canary Wharf
London E14 5HS



23rd May 2017

Dear Sir/Madam,

**Smaller Business Practitioner Panel response to GC17/4 Financial Advice
Market Review Implementation Part 1**

The FCA Smaller Business Practitioner Panel has been involved in the Financial Advice Market Review from the start, with members of the Panel being part of the Expert Panel which advised on the report and the Financial Advice Working Group (FAWG) which was given the task of taking forward three of the Reviews recommendations. These were:

- Recommendation 12: the employer factsheet to support employees' financial health;
- Recommendation 17: consideration of a shortlist of potential new terms to describe 'guidance' and 'advice';
- Recommendation 18: designing a set of rules of thumb and nudges with the aim of increasing consumer engagement.

Members of the Panel were active on the three subgroups which worked on these recommendations. We believe valuable work has been towards achieving all three recommendations and continue to urge the FCA, HM Treasury, trade and professional bodies to work together to ensure that the momentum behind this work, which has been drawn up with a great deal of expertise and tested for effectiveness, is not lost.

We have a number of specific points in response to the Guidance Consultation which are detailed below – we would be happy to discuss these further if required.

Kind regards,

Craig Errington
Chairman, FCA Smaller Business Practitioner Panel

Responses to specific questions

Q1: Do you agree with the guidance set out in this section?

We have two points in response to this question.

Good practice illustration – recommended funds

Under 2.9 on page 11, the good practice illustration refers to a simplified advice process relating to “a firm looking to offer a streamlined automated advice service on a range of exchange traded funds”.

Exchange traded funds do not benefit from any product based protection under the Financial Services Compensation Scheme. It cannot be right for a simplified advice process to give a consumer a portfolio of investments with no FSCS protection, therefore we recommend changing this from “a range of exchange traded funds” to “a range of OEICs / unit trusts”.

For the avoidance of doubt, OEICs / unit trusts benefit from product based FSCS protection at £50,000 per fund provider, whereas exchange traded funds have no protection.

Consumer values

We believe good practice should also include identifying whether clients have personal values on environmental, social or governance issues which they want reflected in their investments, through responsible share ownership or screening.

Q5: Do you agree with our proposal not to publish a standardised fact find proforma?

We agree with this proposal on the grounds that publishing a standardised factfind proforma which could hinder innovation.

Q6: Is there anything else that could be added to the guidance in relation to fact finds that would be helpful?

To meet the requirements of the COBS rules, firms must collect all the necessary information about the client to enable the firm to make a suitable recommendation.

Presently the financial advice sector is poor at assessing whether clients want their personal values on environmental, social or governance issues to be reflected in their investments, through responsible share ownership or screening. Streamlining of advice may exaggerate this poor conduct.

We suggest the FCA should provide a good practice example, including wording such as:

“what about your personal values, are there any concerns you have on environmental, social or governance issues that you would like us to take into account in our work for you?”

More generally it should be flagged up as one of the qualitative information areas where data should be collected as a matter of good practice.

Q7: Do you agree with the guidance in this section?

Yes, we agree with the guidance.

Q8: Are there any further specific areas where there is insufficient clarity in existing guidance?

No, we are happy with the FCA's proposed approach.

Q9: Are there specific areas where further clarity will be needed as a result of the forthcoming amendment to the Regulated Activities Order?

We are happy with the FCA's proposed approach.

Q12: Do you agree with these examples in this Annex? In particular, do you agree with the range of information which might be excluded by firms in the particular scenario outlined?

FSCS protection

We believe there should be an additional bullet point to do with FSCS protection under Example 1 on page 39, for instance under "Intended Market – the firm has identified the service is best suited to clients who...require FSCS protection on any investment products they buy."

It is important to note that consumers will always choose to deposit money in a bank covered by FSCS compared to one that is not. Presently consumers are not able to make the same choice about retail investments as they do not realise that unit trusts and OEICs have FSCS protection whereas exchange traded funds and investment trusts do not.

Environmental, social or governance issues

In the table for Example 1 at the top of page 41 "Client information that might be needed to determine suitability (non-exhaustive) in addition to the filtering questions above", this should also include as a matter of good practice: "what about your personal values, are there any concerns you have on environmental, social or governance issues that you would like us to take into account in our work for you?"

The same feedback applies on Example 4 page 48.