Factsheet No.010

For investment advisers

Adviser charging

This factsheet is for you if you are a retail investment adviser, for example a financial adviser, wealth manager, multi-tied adviser, tied adviser, private banker or stockbroker. It sets out what we require from you in relation to how you charge your clients.

What does this mean for advisers?

We require advisers to:

- set their own charges for their services
- have charging structures based on the level of service they provide, rather than the particular provider or product they recommend
- disclose those charges to consumers up front, using some form of price list or tariff (confirming the specific amount to be paid later on)
- only levy ongoing charges where they have agreed an ongoing service with the client (except for charges for advice on regular contribution products)
- the rules do not allow advisers to receive commission offered by product providers, even if they intend to rebate these payments to the consumer.

What are the requirements for product providers?

Retail investment product providers are banned from offering commission to advisers and will also need to meet other requirements if they offer to deduct adviser charges from their products.

Trail and legacy commission

We have added rules on the payment of trail commission and guidance on how to treat legacy assets, to help advisers decide when they can continue to receive trail commission on advice given before these rules came into force (ie before 31 December 2012).

Setting out what we require form advisers on how they charge their clients

Setting and disclosing adviser charges

Advisers must discuss up-front how they will be paid and agree it with their client, rather than being paid by commission. The charge can either be paid by deducting it from the client's investment or separately (e.g. by cheque). Charges should reflect the service provided, rather than the particular provider or product being recommended.

We do not prescribe the basis on which you charge for your service – for example fixed fee, hourly rate or percentage of funds invested – but we do expect you to set and operate your structures responsibly.

As advisers, you must disclose your charges upfront, at the outset, using some form of price list or tariff, confirming the specific amounts your client will be charged later on, so they are clear what they are paying for.

Ongoing adviser charges

Ongoing charges should only be levied where a consumer is paying for ongoing service, such as a performance review of their investments, or where the product is a regular payment one. If you are providing an ongoing service, you should clearly confirm the details of the ongoing service, any associated charges and how the client can cancel it. This can be written or orally disclosed.

You must ensure you have robust systems and controls in place to make sure your clients receive the ongoing service you have committed to.

For more information and the latest news, see the firms section of our website: www.fca.org.uk/firms