

THE FINANCIAL SERVICES PRACTITIONER PANEL

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Mr Otto Thoresen
Thoresen Review of Generic Financial Advice
Savings and Investment Team (SAVI)
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

23 April 2007

Dear Mr Thoresen,

I am writing to you as Chairman of the Financial Services Practitioner Panel ("the Panel") in response to your Call for Evidence on your Review of Generic Financial Advice.

For the record, the Panel was established in November 1998, comprising senior figures from a cross-section of the financial services industry, to provide a high-level body available for consultation on policy by the Financial Services Authority (FSA) and which is able to communicate to the FSA views and concerns of the regulated industries. It has a statutory basis under Section 9 of FSMA. The Panel has 13 members who are chosen to represent all sectors of the financial services industry. Members of the Panel are appointed by the FSA, normally based on a recommendation by the Panel Chairman following canvassing of the relevant trade associations. The appointment of the Panel Chairman is also approved by HM Treasury.

Since the Panel approaches regulatory issues from a high-level, strategic perspective I will not be able to respond to your Call for Evidence on a highly detailed, point-by-point basis. However, I would like to share with you some general observations Panel members have made on this matter in the past, and which I hope you will find helpful.

We welcome the formation of your task force to research and design a national generic financial advice services. The Panel appreciates that the issue of universal access to generic advice is a complex subject that attracts a vast diversity of opinions.

However, we remain apprehensive over whether a viable commercial case can be made for the universal provision of generic advice. The Panel has in the past maintained that there was no commercial case for the provision of face-to-face generic advice, and that such an initiative on a national scale would be prohibitively expensive, prompting the key question of who would be expected to pick up the tab and whether the benefits of such an elaborate project would outweigh its considerable costs.

Moreover, Panel members have been unsure about exactly what constituted "generic advice", and have observed that the term could potentially be misleading. It might be difficult to draw a clear line between exactly where generic advice ended and regulated advice began. For that reason we share AIFA's view that there was a need to differentiate clearly between generic advice and generic information; the latter is generic by nature, whereas advice implies a degree of understanding of an individual's investment needs.

We have always felt that the provision of clear generic financial information, rather than generic advice, by an independent body, such as the FSA, via a user-friendly internet-based hub was the best way to offer a far-reaching and truly independent solution to a large part of the population. The Panel has therefore strongly supported and welcomed the recent re-launch of the FSA's consumer website, www.moneymadeclear.fsa.gov.uk as a major step in the right direction. Of course, the key measure of success will be whether consumers access and use this material, and how the FSA will in turn gauge its impact on their behaviour.

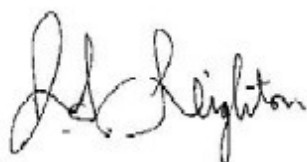
Free face-to-face generic advice for a majority of the target population throws up a number of issues which in our view will be near impossible to overcome.

- **Costs** – how much will such a network cost and who will pay for it?
- **Provider** - who will supply this service and how can it be ensured that the provider is truly and fully independent, and trusted by the target population?
- **Expertise** – what skills, training and qualifications would the advisors have to hold? Generic advice that requires an understanding of an individual's circumstances and investment needs would also necessitate a high degree of qualification on the part of the advisor – which, in turn, would greatly increase costs.
- **Legal status** – what would be the legal status of the advice given? If it turned out to be bad advice, what recourse would the consumer have, if any?
- **Boundaries of advice** - where would the advice lead? Would it go so far as to recommend specific types of products to the consumer (which, again, raises liability issues)? Would it point to specific providers?

I am certain that all of these issues – and possible solutions to them – will be raised in the course of your consultation process. I would also like to take this opportunity to offer you the Panel's further assistance with your Review and would like to invite you attend one of our upcoming monthly meetings to discuss this important matter further. We will contact your office shortly to arrange for this, if you are interested.

In the meantime, please do not hesitate to contact me if you would like to talk in greater detail about any of the aforementioned points.

Kind regards,



Roy Leighton
Chairman
The Financial Services Practitioner Panel