

27 April 2007

Thoresen Review of Generic Financial Advice
Savings and Investment Team (SAVI)
HM Treasury
1, Horse Guards Rd.
London SW1A 2HQ

Fidelity International welcomes the opportunity to respond to the Call for Evidence of the Thoresen Review of Generic Advice. The idea of establishing a structure to provide generic advice to a widespread audience is admirable and ambitious. We note that the government's aspiration is to have such a system available to the entire population but the Review, at least at this early stage, is taking a more pragmatic approach in seeking to identify priorities groups among the general population. The looming introduction of Personal Accounts raises the importance of the issue.

The Content of Generic Advice and the Boundary with Regulated Advice

We would like to focus most of our remarks on the question of what a system of generic advice should and should not offer.

Just as a key objective in setting up Personal Accounts will be the need to protect existing good provision that covers some of the market, so the government must ensure that the new system of generic advice is not set up in a way that damages existing advice services in the market, in particular the regulated advice sector. This is not a call for special treatment, still less protection. But, by its very nature, generic advice will be able to provide services more cheaply than the regulated advice sector. Unless carefully differentiated, there is significant potential for unfair competition.

Above all, it is important that the general public understand the distinction so that they can judge what service might best serve their needs.

Generic should mean Generic

We believe that the system of generic advice should concentrate on providing the public with information and guidance around some broad themes such as:

- managing debt;
- budgeting;
- simple priorities e.g.
 - a) paying off debt first; then
 - b) saving some liquid 'rainy day' cash; then
 - c) investing for the longer term;

- interest rates;
- risk;
- the importance of pensions.

One point of potential confusion between generic and regulated advice will centre around the extent to which this generic advice, as outlined above, can then be personalised to the individual client. There are already many tools available on the internet that enable individuals to input data unique to themselves and obtain a 'personalised' set of recommendations.

Product Recommendations

Specific product recommendations should, we believe, remain the preserve of the regulated sector. The system needs to be based on a clear principle that there cannot be one rule for one set of people and another for the rest. This boundary between generic and regulated advice could be defined either as the point at which a specific product is to be purchased or as the point at which a regulated adviser would have to go through the 'Know Your Customer' (KYC) procedure.

The boundary that is established for generic advice could also usefully define a 'safe harbour' for employers in terms of the information and guidance they were able to give their employees in relations to their pension schemes. They should be able to offer information and guidance to employees to the same extent as generic advisers. This clarity will be particularly important in view of the trend towards contract-based schemes which fall within FSA regulations.

A boundary prevents generic advisers from making any specific product purchase recommendation does create a potential short-coming in the system in that those seeking advice may feel they have been left high and dry. They might be given generic advice that they need, for example, to build up a savings account for 'rainy-day' cash but would then be left to fend for themselves with the dizzying array of choice in the market. Generic advice could, therefore, usefully include advice on how to go about making a choice, where to look for options etc.

A Monetary Threshold

The above relates to people who might be seeking general guidance on financial matters. In the case of someone approaching an adviser because he has some money he wishes to save or invest, we believe the rules that will govern generic advice should establish a 'threshold' beyond which a generic adviser would have to inform the client that their service was not appropriate, regardless of whether the client was asking about specific products or not. Further work would be required as to what would be suitable levels but, for illustrative purposes, one could envisage a system under which if a client had £20,000 in liquid assets or the ability to save more than £250 a month, he should be advised to seek more appropriate services.

Specific Products and Services

The review should also consider the feasibility of defining a list of products and

services that can and cannot be handled by generic advisers. For example, in the case of the Personal Accounts, a client who wants advice on whether to opt out or stay in the scheme could probably be handled by generic advice. Given the employer contribution, the question is likely to be relatively straightforward. However, if the client then wishes to discuss the advisability of making additional contributions to the scheme that is a more complex issue that would require regulated advice.

A Safe harbour for Employers

It is important that employers who have non-NPSS occupational schemes for their employees are able to provide their staff with the same level of advice or guidance as employees elsewhere in Personal Accounts will be able to receive from generic advisers.

Face to Face

We note the government's aspiration to establish a system that could give people access to telephone or face-to-face contact, rather than simply web-based resources. Many people will undoubtedly prefer this type of interaction and this should be encouraged if possible. However, many people will be happy with on-line services and the government should think carefully about how companies that already offer on-line guidance will fit in to the new system. With the growing sophistication of web-based tools in recent years, it is probable that many of the tools on offer are already able to give the same level of advice that is likely to be on offer under the generic advice service. A new focus on generic advice in the market could well give them scope to expand and develop further. It is important that the government regard current offerings as potential assets in the new system. They should not be excluded just because they may not have telephone or face-to-face capabilities.

John Ingamells
Director
Public Affairs

Fidelity International
25 Lovat Lane, London, EC3R 8EB
(020) 7961 4630

Important: Fidelity Investments International (Reg. No.1448245), Fidelity Investment Services Limited (Reg. No. 2016555), Fidelity Pensions Management (Reg. No. 2015142) and Financial Administration Services Limited (Reg. No. 1629709, a Fidelity Group company) are all registered in England and Wales, are authorised and regulated in the UK by the Financial Services Authority and have their registered offices at Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ. Tel 01732 361144. Fidelity only gives information on products and does not give investment advice to private clients based on individual circumstances. Any comments or statements made are not necessarily those of Fidelity. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. If you received this in error, please contact the sender and delete the material from any computer. All e-mails sent from or to Fidelity may be subject to our monitoring procedures. Direct link to Fidelity's website - <http://www.fidelity-international.com/world/index.html>