



Lloyds TSB

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Eve Engledow 17 November
FSMA Secondary Legislation Consultation Responses 2004
Financial Stability and regulatory Policy Team
Room 4/23
HM Treasury
1 Horse Guards Road
London SW1A 2 HQ

Dear Ms Engledow,

**FINANCIAL SERVICES AND MARKETS ACT TWO YEAR REVIEW:
CHANGES TO SECONDARY LEGISLATION**

We are writing further to your request for comments in response to the above paper. We are limiting our comments, which are made on behalf of the whole of the Lloyds TSB Group, to two substantive issues, as we see them, arising in your paper.

Advice Centres

We agree that advice centres provide a valuable service in providing free, confidential and independent financial advice to individuals, particularly to those who find themselves in financial difficulty. We also accept the points that you make regarding the potential for the expanding boundary of regulation giving rise to there being unnecessary obstacles to the services provided by advice centres. However, as noted in your paper, the forthcoming increases in the scope of financial services regulation will result in more types of advice, traditionally given by such centres, potentially falling within FSMA regulation.

Our view, particularly in light of the increasing complexity of the regulated financial services market, is that individuals who provide such advice via these advice centres, should be subject to appropriate standards of training, and be able to demonstrate their competency for such roles. Whilst we are not advocating adoption of a formal Training and Competency Scheme as per the FSA Handbook, we do believe that consumer confidence would be served by such individuals being required to demonstrate that they had met certain minimum standards. This “badge of competency” should be a visible means by which relevant individuals would demonstrate such. It should have a profile to reflect its importance, and help raise public awareness. We believe that this should significantly reduce the possibility that consumers seeking help from such centres may be wrongly advised, particularly as the advice may relate to fundamental areas such as pensions and mortgages.



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Employee Pensions

As you quite rightly state, employers have a crucial role to play as a source of information about pension options in the workplace, and we are aware of the concerns amongst some employers regarding their ability to give such advice especially where this falls within the jurisdiction of the FSMA. In the past, the majority of company pension schemes were based on the final salary model, and as such it may have been a reasonable assumption that they presented better value than possible alternatives. However, a recent trend has been towards closure of such schemes, and their replacement by money purchase pension schemes to which the employer may, or may not, contribute. In such circumstances it will not necessarily be the case that such pensions offered by an employer are clearly, if at all, better than alternatives that may be available elsewhere.

It is our view that consumer protection is best served by the existence of a robust process to ensure that employees receive appropriate information. This may include brief details, and the main advantages and disadvantages of the possible alternatives, to enable an employee to make a balanced judgement as to the best course of action for them. If employers are to advise on their own schemes in such circumstance, then the process would need to ensure such advice was suitably balanced. We believe that individuals providing such information, or indeed giving advice, must be sufficiently trained and again possess a relevant “badge of competency” - there are a variety of qualifications already available in the pensions industry which could be helpfully used as platforms for this ‘badge’.

I hope the above is of help, and I would of course be pleased to provide any further comment or assistance you may require.

Yours sincerely

Richard Collins,
Group Compliance Director



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