

From: Roger Sanders [rogers@rogsan.co.uk]

Dear Keith,

My apologies for using e-mail, rather than a letter, in submitting a slightly tardy response to the Treasury Review of FSMA regarding workplace advice and voluntary/community advice groups.

My comments are as a pensions practitioner and IFA, rather than as Deputy Chairman of AIFA. Also, I must confess to having been involved in the DWP's "Informed Choices" Project, literally on the shop floor.

I heartily applaud the Treasury's initiative in clarifying the regulations and responsibilities in these two areas; removing confusion is an aid to understanding and to improving access. In particular, improving access to workplace advice with the full support of employers will reap dividends in raising take-up rates for pensions and better employee understanding of financial planning issues.

During your presentation of 12 May it was clear that, whilst the Treasury initiative had the potential to create new risk, it should not do so provided that the generic advice ("information") process only was followed, without any cross-over to transactions and products. It is equally clear that non-generic advice must be available only from appropriately trained and qualified individuals.

The particular issue I wish to highlight is the potentially confusing message accompanying the Budget and Pensions Bill announcements concerning the £150 tax free annual employee allowance (Benefit in kind relaxation). I see from your note of 13 May that it will only be for providing pensions information and advice, with other financial and general tax advice excluded. Many of those listening to the Budget had picked up on "access to financial advice" within the context of the ongoing work on financial capability, being managed by the FSA. Therefore, we must clarify the pensions only aspects of this very welcome concession, particularly as employers with schemes may already be paying fees for ongoing advice to them and their employees/scheme members.

My three observations are:

- If employers are reluctant to put their hands in their pockets to pay pension contributions to a group scheme, how can they be "encouraged" to pay for access to individual pensions advice?*
- The £150 limit should exclude Vat; some IFA firms are Vatable, some are not, depending on thresholds - to differentiate would be inequitable. Obviously, advice is Vat exempt if it is followed by a transaction.*
- The £150 cap should be given as an allowance irrespective of how much is paid by the employer or when it is paid; otherwise there could be a disincentive for employees to participate as they would not know whether the benefit was going to be taxable or not until the work had been done and the advice given.*

I hope this is of help and I'd be happy to have a further dialogue as necessary.

With kind regards,

Roger.

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For information about the FSA's Small Business Practitioner Panel click on: www.fsa.gov.uk/sbpp/
