



Thoresen Review of Generic Financial Advice

Royal London's Response for the Call for Evidence

Strategic Issues

We have fundamental objections to the use of the phrase “generic advice”. In financial planning, advice must be specific to the individual's circumstances. Generic information may be helpful, but, equally, it may be misleading.

We are firmly of the view that the term “advice” in the mind of the public refers to a service provided by a professional adviser. This could be advice from a lawyer, an accountant, an IFA or a doctor. Advice is specific to that individual and, perhaps just as importantly, the term implies that some form of redress is available to the advised, should the advice prove incorrect. It is the fact that the adviser is responsible for the advice provided and that the adviser is liable if the consequences of the advice prove damaging, that gives advice its validity and value.

Advice should not be confused with general or generic information. There are numerous examples of general information campaigns. “Five portions a day” or “Don't drink and drive” have achieved currency in recent times. While the messages of these campaigns are laudable, they do not constitute “advice” in the terms that most people understand it. Nor would you expect someone heeding this sort of “advice” to have any claim over the promoter.

We cannot see how the term “generic advice” is anything other than a sophisticated “Five portions a day” campaign. For financial advice to be of any use to a person it must be personalised to their specific needs. It also must explain the specific actions that should be taken and, to be effective, should facilitate those actions. We cannot see how “generic advice” can perform this function without moving into areas currently occupied by regulated advice.

We consider that blurring the line between generic “advice” and regulated advice with its inherent consumer protections (including redress) is a dangerous step to take – especially if the generic service is aimed at those on moderate income and low levels of engagement with financial product. The co-existence of two

forms of advice in the market runs the risk of creating real consumer confusion and of devaluing genuine financial advice.

About Royal London

Royal London was founded in 1861, initially as a friendly society, and became a mutual life insurance company in 1908.

Royal London is the largest mutual life and pensions company in the UK with Group funds under management of £30.8 billion. Group businesses serve over 3 million customers and employ 2,640 people.

Royal London is one of the stronger life and pension companies in the UK, and has a particularly strong track record for with profits performance.

Scottish Life is a division of Royal London and is the specialist pension business within the Group, providing individual and group pensions. Scottish Life administers over 9,000 occupational pension schemes on behalf of 113,000 members. Additionally Scottish Life administers over 5,000 group personal pension and group stakeholder schemes with over 112,000 members. There are also over 209,000 Scottish Life individual personal pensions in issue.

(Figures quoted are as at 31 December 2006)