

Ms Eve Engledow
FSMA Secondary Legislation consultation responses
Financial Stability and regulatory Policy Team
Room4/23
H M Treasury
1Horse Guards Road
London
SW1A 2HQ

14th May 2004

Dear Ms Engledow

Re: FSMA two year review: the impact of FSMA on Advice Centres

Adviceuk is a membership organisation for nearly 1000 independent advice centres from across the UK. All our members provide advice which is free, confidential, impartial and independent. About one third of our members provide debt/money advice to the public and hence often provide generic, non provider specific financial advice and information as part of the debt advice process. This may be on topics such as private pensions, mortgage endowments or refinancing options and which are outlined in some detail in the consultation. It is worth noting that over 65% of clients seeking advice from our members are in socio-economic categories D and E.

adviceUK has been concerned for some time that advisers working in member areas may in a regulatory "grey area" in relation to the generic advice they provide, hence we warmly welcome this review.

Question one: adviceUK is of the view that the current scope of the financial promotion restriction does create a degree of uncertainty in advice centres in relation to this type of advice and indeed we feel it may impede their ability to provide the full range of advice and information that their clients need and want. Subject to our comments below, we believe that there should be a specific exemption in the

proposed Exemption Order for free advice centres such as our members.

Question two: we agree with the views outlined in paragraph 3.11 of the consultation paper and we take the view that there should be a specific promotion exemption for free, not for profit advice centres.

Question 3/4: In our view the FSA guidance in relation to pension and mortgage related activities needs to be applied to other non provider specific product advice, for example endowment policies. We feel that this will require further legislation to clarify and confirm the situation for advice centres.

Question 5: We agree with the conditions for exemptions outlined in paragraph 3.16 of the consultation.

Question 6: In relation to PII cover we feel that there should be minimum cover of £250,000 per advice centre. We believe that membership of a recognised free advice network should be used as a proxy for competence. We are concerned that the likely costs of testing and monitoring individual competence would be excessive for our members and if applied may cause them to stop providing generic/non provider specific financial advice.

Question 7: adviceUK takes the view that exemption should be normally be limited to mortgages/remortgages, endowments, and pension products. We do not believe that the exemption should be extended to products such as shares or gilts. We believe that the advice provided should be non provider specific. In our view the free advice sector and HMT should draw up written guidance on the parameters of advice.

Question 8: In addition we believe that those exempted should also be required to be members of an established free advice network, for example adviceUK, Citizens Advice or any other organisation that is a full member of the Advice Services Alliance. We feel that these requirements should be sufficient to ensure that a satisfactory level of advice is provided.

Please do hesitate to contact us if you require any further information.

Yours sincerely

Nick Pearson
National Money Advice Coordinator.