

27 May 2004

Eve Engledow
FSMA secondary legislation consultation responses
Financial Stability and Regulatory Policy Team
Room 4/23
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

**The Impact of FSMA on Advice Centres
Money Advice Trust response to the Consultation Paper**

Dear Eve

The Money Advice Trust (MAT) is a charity formed in 1991 to increase the quality and availability of free, independent money advice in the UK. We work in partnership with government, the private sector and the UK's leading **money advice agencies** to:

- Increase the availability of money advice
- Improve its quality
- Improve the efficiency and effectiveness of its delivery

MAT operates National Debtline, which is a free helpline for people with debt problems, providing a holistic service addressing unmet demand for money advice via the telephone.

Thank you for the opportunity of responding to the above. Our comments are below and of course if there are any queries, please let me know.

FINANCIAL PROMOTION

Q1: Do you think that the current scope of the financial promotion restriction creates uncertainty or is unduly restrictive of the work of advice centres?

Yes, there is some degree of uncertainty amongst advice centres as to how much advice and information they can give without straying into regulated financial advice.

Q2: Do you think that there should be a specific financial promotion exemption for advice centres?

Yes, covering not-for-profit agencies providing free advice to individuals. However this exemption should be granted only where satisfactory standards and controls can be evidenced. Exemption must not lead to advisers without the necessary skills and knowledge giving advice. Additionally, clarity of definition of “in the course of business” for the free advice sector would be of value.

REGULATED ACTIVITIES

Q3: Is there a case for further legislation?

Yes.

Q4: Do you think that there should be additional legislation to confirm that advice centres are not carrying on regulated activities?

Yes, to clarify the situation.

AN EXEMPTION FOR ADVICE CENTRES

Q5: Do you agree with the proposed conditions for exemptions relating to advice centres?

Yes. It would be helpful to ensure the supporting legislation is clear that free to the client money advice services are defined as free where there is no fee or commission received from the recipient of the advice. This would then cover free to the client money advice services that provide Debt Management Programmes.

Q6: Do you think that there should be other conditions (e.g. minimum competence criteria and specific PII thresholds)?

Yes. Although advice centres would not wish to be in breach of any regulatory bodies, they also need to ensure the consumer is adequately protected. Professional Indemnity Insurance should be seen as mandatory and Quality Mark desirable. The CLS General Help Quality Mark could be used. The major advice agencies, led by MAT, are currently looking at the options for the “accreditation” of providers in England and Wales and this may provide appropriate criteria for the exemption to be agreed. The consumer would then be better served and protected. We can supply further details on this area of work if you require.

Q7: Do you agree with limiting the exemptions to mortgages, endowments, pension products and shares?

Yes. It will be necessary to define clearly the parameters within which the advisers are working. This work should take into account any recommendations from the Financial Capability Strategy.

Q8: Do you think that an exemption limited only to members of certain established networks of advice centres provides a better alternative?

Lord Borrie QC (President) Robert Colvill (Chairman) Robert Skinner (Director General)

Trustees: Margaret Bloom Gill Bull Adrian Coles Martin Hall Eva Lomnicka

Brian Pomeroy John Saunders Sue Slipman Tim Sweeney

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Yes – see answer to Q6. The major advice agencies hold the LSC Quality mark but the accreditation work could allow this to be broadened to incorporate smaller independent advice agencies and Local Authorities.

Q9: Do you think that exemptions for advice centres could have regulatory consequences for other bodies besides advice centres?

We do not believe so.

As mentioned earlier, if there are any queries, please let me know.

Regards



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