From: Robin Keyte
To: fsareview@nao.gsi.gov.uk
Sent: Friday, July 07, 2006 2:53 PM
Subject: FSA Review Comments

Hello,

I've been looking at your Terms of Reference and am pleased to note the emphasis on Financial Capability. I am an IFA but also do work with community organisations (London Rebuilding Society, Wessex Reinvestment Trust) and am very aware of the need here.
I would like to draw your attention to what I believe is a contradictory change being proposed by FSA on the area of financial advice which relates to Regulatory Update 64.

RU64 was brought out in advance of stakeholder pensions. The background to stakeholder pensions was protracted negotiations between the government and the retail pension providers to push charges down and have a very low cost, 'non-toxic' product. The result was a charge cap of 1% pa of assets invested, which was around 50% cheaper than standard retail terms.

To ensure financial advisers could not just ignore stakeholder pensions and sell more expensive, higher commission-generating pension plans, they introduced RU64.

In essence RU64 required a financial adviser to put in his advice (suitability) letter why the pension product he was recommending was at least as suitable as a stakeholder pension. The FSA is now proposing to remove this requirement so financial advisers will again be able to sell expensive high commission generating products without telling their customers about stakeholder pensions.

Not only does this fly in the face of the aims of the Financial Capability work, the timing seems particularly odd now that we have a stakeholder suite of products.

There are presently available stakeholder:
- cash deposit accounts
- medium term investment products (i.e. unit trusts)
- Child Trust Funds
- pensions

What the FSA should in fact be doing is extending RU64 too all of these product areas.

Consumers must understand that if they are being sold a more expensive product, the reason for the additional cost and this should be declared openly.

This approach would also support and strengthen the current disclosure regime of Key Facts documents which all helps with the aims of financial capability.

It is entirely reasonable to suppose that the cost of regulating financial advice in such areas might subsequently drop, as at the 'point of sale' the customer is being made clearly aware that non-toxic stakeholder products exist, and that the products being recommended are more expensive than the stakeholder alternative.

The customer can then make an informed decision based on the value they attach to the advice and service provided by the financial adviser whether or not to proceed.

I hope these comments will be born in mind when the review is conducted.

Robin Keyte

Dr R W Keyte APFS – Director
Towers of Taunton (Financial Services) Ltd