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Revealed: the challenge facing 'independent' advisers post-RDR

By Rahul Odedra

Whether an adviser is independent is "fourth or fifth" on a consumer's priority list, an IFA has argued, after research suggested some clients still have no idea if their IFA is whole-of-market.

Jonathan Fry, who runs his own Yorkshire IFA, said independence alone would not "in any way" guarantee a steady stream of clients after 2012.

"The independence of the adviser is probably no higher than fourth or fifth on the list of priorities for the vast majority of consumers," he said.

Fry's remarks follow fresh research, commissioned by the FSA, which found only 61% of clients who had recently purchased a product through their IFA knew they were an independent practitioner.



Fry

Based on more than 5,000 interviews, the corresponding figure for non-purchasers, who had nevertheless consulted an adviser, was 58%.

"It is apparent that many recent purchasers misunderstand the concept of 'independent' advice in relation to the adviser they used," the authors of the report concluded.

"The transparency element of the RDR seeks to clarify this concept and it is clear there is room to



Morgan

improve consumer understanding."

Fry said it was "important" consumers understood the difference between independent and 'tied' advice, but added: "It is very easy to be in an ivory tower of self-importance that does not recognise sufficiently that independence is not in any way a commercial guarantee of business."

But Kevin Morgan, managing director of Consilium Financial Planning, said advisers' status would be

more relevant as consumers became aware of the RDR.

"If people are given a straight choice, properly explained, between independent and restricted advice, it is a no-brainer," he said.

"It is all about the way [an adviser's independence] is portrayed. I've no doubt people value it; it's just a case of whether they understand what they are getting."

Anthony Badaloo, principal at Church Hill Finance, added: "The results of the FSA research are a huge concern.

"If I was a consumer, I would definitely want to be looked after by an IFA for the simple reason that, if you are not independent, you must be focused on sales."

Following its research, the FSA also set out the baseline criteria on which regulators would judge the success of the RDR.

THE EVOLUTION OF INDEPENDENCE

● **TODAY**

Independent advisers must research the whole of the market and offer advice based on an assessment of their client's needs and circumstances. They must offer a fee option. *Source: Money Advice Service*

● **1 JAN 2013**

Independent advisers will need to consider a broader range of products (beyond packaged products) and provide unbiased, unrestricted advice based on a "comprehensive and fair" analysis of the relevant market. All advisers will have to inform their clients before providing advice whether they are independent or restricted. *Source: FSA*

They include whether or not consumers understood the 'type' of advice sought, how many were now engaged in the market, and their perceptions of the financial services industry.