



TISAtalks....RDR

With only four weeks to go before the implementation of RDR, distribution market developments are gathering at a pace still. The Solicitors Regulation Authority (SRA) launched a consultation in July to change the rules on referrals in response to the RDR. The SRA code of conduct indicates that if a client is likely to need advice on investments they must be referred to an "independent intermediary". However the consultation, which closed in September, said this term is of historic origin, contradicts "outcomes" regulation and ignores the judgement of a solicitor. The SRA has therefore abandoned its policy of referrals to independent-only advisory firms, allowing restricted advice distribution via this channel now. This means solicitors will have to distinguish between the respective merits of different types of financial adviser ensuring they safeguard the reputation of the individual firms and the profession via their own compliance requirements in respect of referrals to either independent or restricted advisers.

This means that under the SRA code of conduct solicitors can put clients in a position to make informed decisions about referrals regarding investment advice, focusing on outcomes rather than prescriptive-focused options of adviser types. It is presumed that this will represent the best fit with outcomes-focused regulation for solicitors, as highly qualified professionals would be free to assess and discuss clients' needs and not be restricted by a prescriptive rule directing them only to independent advice. This provides an opportunity for advisers to work closely with solicitors and other professionals to help them understand where full independent advice may be more appropriate for client outcomes, particularly as more service propositions become increasingly transparent in their pricing, allowing the end customer to be comforted in the credibility of the adviser and how clients will be looked after regardless of the label associated with the advice.

In the same arena, Origen (the Aegon-owned national advisory firm) is launching a restricted advice service for its small and medium-sized employers using Aegon's workplace platform. This solution will provide advice to companies with 25 -250 employees ahead of automatic enrolment. Interestingly, it will operate alongside Origen's existing whole of market propositions. Mike Kirsch, CEO expects around 20 advisers to be working in this solution by the end of 2013.

They clearly feel that over the next few years with the onset of auto-enrolment and embedding the RDR, the market is appropriate for a new restricted proposition to sit alongside the existing whole of market solution. The portal will provide access to a savings platform as well as a total reward statement facility and employee financial education tools.

In the same week, Close Bros Asset Management also announced all its advisers across the group will be providing restricted advice post-RDR. This decision has been taken because they will be promoting their own investment products and have taken the decision to class itself within RDR as a proposition providing restricted advice. They will assure customers that if they are not offered a suitable in-house investment product solution, or should the client desire a different investment provider, its proposition will allow access to other fund managers using the firm's research process. Andrew Fay, CEO confirms all advice provided by Close Bros will be restricted, which includes the historic business of Cavanagh Group and Chartwell. These businesses have been evolving over the last few years and they believe they have progressed to a proposition that reflects the best from all the constituent parts of the business. They now have the challenge of communicating their revised proposition to their clients.

It is likely that this trend will continue post-RDR within the distribution advisory market and the strength of the adviser/client relationship, together with clarity of proposition, seems to be more important than either the status of restricted or whole of market advice.

Peter Smith
Head of Distribution Engagement