My commentary and previous blogs keep taking us back to the emerging advice gap and the disenfranchised customer. Linked to that this week, the FSA has indicated it is turning its attention to the growing number of execution-only services which are targeting clients who may be unwilling to pay for advice as a result of RDR. Indications are that with an increase in the number of non-advised propositions, it would be taking a closer look at the market to ensure clients are getting a good deal. Colin Wilcox, a member of the FSA supervision team, said: “There are some emerging online non-advised propositions that we need to take a look at. It’s different players that inevitably emerge to fill a gap in the market and they must serve consumers’ best interests.”

The focus here is clearly the importance of non-advised services working in consumers’ best interests, ensuring that clients understand any risks and end up with a suitable product. I think we all have to recognize that some customers will be unwilling to pay for advice, and we need to understand how consumers will engage with alternate distribution.

The real conundrum here is how this emerging distribution can be delivered, as does execution-only really mean execution-only; currently it is far too easy to blur the lines between ‘advice’, ‘guidance’ and ‘information’. When does information become guidance and when does guidance become advice? The regulators mantra currently is if it looks like advice then it is advice. Hopefully the FSA will also consider pricing transparency. It seems to be the new entrants here who are introducing this to the execution-only market, being prepared to fully disclose the cost of funds and platforms, in line with the RDR standards being applied to the advisory market.

I have no doubt that execution-only services will fill an important advice gap in the future. It is important that the FSA looks carefully at this market. We at TISA have recently formed a Special Interest Group to look at the implications of this and how we can work with the regulator to get compliant models that will serve consumers correctly, help to address the advice gap and allow advisory distribution to have a clearer understanding of where information supply finishes and the first steps of advice starts. The current rules do not make that crystal clear.

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