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BEGINNING TO SEE THE LIGHT

There has been much press coverage on the fine detail of the Chancellor's latest revolutionary budget for pensions and how advice and guidance will be delivered at the point of decumulation.

Just prior to the Budget, there was some talk around Martin Wheatley supposedly claiming that financial advice can be given online, without human intervention. The dilemma here is the immediate future of simplified advice, which is a problem the TISA project groups looking at both D2C and Suitability has been wrestling with for some months to determine a workable solution.

To clarify, Martin Wheatley actually said it is possible financial products could be sold online or advice delivered without human intervention, but he made no suggestion about whether it was desirable.

In March 2012, the FSA published its final guidance on simplified advice, focussing heavily on a simplified automated advice process - online advice, without human intervention, which it was hoped would be a light touch solution probably aimed at bank distribution at that time. Simplified advice could be provided if firms so wished and offered online, but it would need to be delivered within the existing regulatory framework which in the transition from the FSA to the FCA remains pretty much the same. The existing COB rules proved too onerous for most providers at that point.

Meanwhile, the FCA began a thematic review of non-advised sales and simplified advice. The regulator is still visiting firms as part of this review and the same concerns persist around the distinction between execution only, non-advised and simplified advice models. The main hurdle is the viability of simplified advice working on greater automation through a checklist-based approach. Any regulated advice needs to meet the regulator's suitability requirements.

This is being examined thoroughly in TISA's Suitability project group right now. We are finding that firms are struggling to make accurate assessments of attitude to risk even with the use of risk profiling tools. This has proved to be a broad subject to address, which is why the Group have split the project into six specific segments of the consumer journey and are looking at the issue from a number of angles.

Following the revolutionary Budget announcements giving full flexibility to pensioners approaching decumulation, increased access to advice can only be good for consumers but under current regulations firms must clearly disclose the services they offer and consider the risks associated with multiple distribution channel advice . There needs to be a clear distinction between an offer of advice as opposed to guidance and information. The regulator has attended a few of the project meetings and their view currently is if it looks and feels like advice from a consumer's point of view, it is highly likely to be viewed as such by the FCA and FOS.

We now await with interest the detail which will emerge following the Budget as to specifically what can be provided at the point of crystallising pension benefits and whether it falls under any regulation. The devil will be in the detail as to what comes out of the FCA review of simplified advice and whether advisers are already giving clients a level of human interaction worth paying for as opposed to the Chancellor's idea of *free advice.*

The FCA themselves are now recalibrating their position following the Budget announcement as this has thrown a pebble into the pond to disturb the current thinking and work achieved so far on this subject. They will be now be hastily reassessing what falls into advised and non-advised propositions.

Before the Budget the Pensions Advisory Service and the Money Advice Service were in talks with the pensions industry looking to develop a pension's kitemark to help deliver reliable expert help at retirement. It will be interesting to see how this now develops alongside simplified advice with the Chancellor's proposal to provide advice and guidance for free!

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