leading on investments and savings

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SKIP TO THE BEAT

You may already be aware of Pensions Buzz, a weekly omnibus study monitoring the attitudes and opinions of the pensions industry. Recently it conducted a survey on the issue of investment consultants and regulation.

The interesting parallel in this recent survey is the comparison of the RDR qualification requirement on anyone giving advice to customers compared with investment consultants, providing information to scheme trustees and pension managers. Currently investment consultants do not need to have any professional qualification probably because much of their work falls outside the scope of FCA regulation. It seems strange in the world of finance and investment structures that provide information on which customers or their advisers make decisions. It has to be questioned as to whether such a lack of qualifications would be tolerated in other professions.

The Buzz survey found overwhelmingly that respondents wanted investment consultants to be fully regulated on the basis of everybody who gives any kind of paid financial advice should be regulated. It is apparent that the line between strategic investment advice and specific investment recommendations can be very thin and asset allocation even if part of a liability driven investment is as important as choosing the right specific investments.

It would appear that a large number of firms do include the Investment Management Certificate, the entry level competency certificate for investment managers, however if you discount the IMC, the number of lead consultants without a professional qualification is as high as 50%. Investment consultants themselves prefer to focus on real-world experience and demonstrable track records rather than professional qualifications.

I feel it is clear that a change may be coming. If you look at the oversight and focus that RDR has brought to advisory distribution there would be an advantage for advisory firms who are able to show their investment consultants are not only experienced but also possess relevant qualifications. These firms could then easily gain competitive advantage over the competition. It is also likely that pension scheme trustees, scheme managers and advisers would prefer to operate in the knowledge that information provided to them has a qualification tag.

In the new world it is fairly likely that pressure will continue in all probability from the regulators if they can define the activities in the distribution chain that should be regulated and impose pressures for suitable customer outcomes. It will be interesting to see the developments which will occur here over the next 12 months.

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