

## AN UNCERTAIN PRESENT

Uncertainty tends to worry most people, leading to guesswork and speculation as to what eventually may happen!

This seems to be very much apparent in the financial services community right now in respect of those firms trying to build 'direct to consumer' and simplified advice propositions.

TISA has had such a project running for around 12 months now – the D2C Special Interest Committee - and whilst great progress has been made, there are specific areas that have challenged the group due to the whole principle being based on a focus on outcomes and subjective views on some component parts.

We have known for some while that the FCA is set to launch a consultation paper around 25<sup>th</sup> June on automated advice and guidance services to help address the advice gap and aid the construction of these business models. The 'thematic work' will make for a fascinating and important insight into how the FCA defines advice in the fast-changing internet age.

This thematic review has been expected since the end of last year when Martin Wheatley said the regulator was looking at this and the 'advice gap' concept at a Treasury Committee session, during which he stated his desire to see online models evolving to meet consumers' needs.

In line with the TISA project group's findings, the main area of contention revolves around where the dividing line falls between non-advised online information and guidance and advice. The key issue and fear is that automated and online services, such as web-based advice, are tricky to build because of the fear of straying from guidance into advice. Hopefully the consultation paper will aim to address that. The FCA has certainly been very helpful when attending the TISA Group sessions.

This particular fear is prevalent with advisers who have already launched an online-web service where the service is supposed to be fully automated. A lot are not, because people are fearful of the FCA's wrath if they fall outside the 'invisible' advice line. The regulator appreciates there is an appetite for launching a lower-cost advisory service, but the problem is no one wants to do it until there is clear regulatory clarification.

The issue is not quite cut and dry and does not simply revolve around product recommendation. There are issues with the methods used to inform people which must not 'guide' or only offer a narrow solution choice.

The Chancellor's budget speech has added an additional element of confusion, with the introduction of a new 'guidance' service that will be offered to pensioners, which must stop short of any recommendation if it is to remain on the right side of the advice line. However, this will be termed 'guidance' and is clearly not to fall under regulated advice. It will be interesting to see how this develops as I am not sure consumers will appreciate the difference.

It will be fascinating to see the FCA's view. It will also be insightful to learn, for example, how it views decision trees and the like if it agrees with the above aversion to decision making. There are alternatives, of course. Full advice may seem incompatible with online services, but some, including Moody's Analytics, believe there will be direct tools that can provide a more comprehensive service, which may be allowed under the regulators review.

The TISA D2C Special Interest Committee awaits the FCA's paper later this month with baited breath.

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