

BALL OF CONFUSION

TISA's recently launched industry wide project Retirement New Guidance has now met formally on three occasions. In TISA's usual manner, the project group is extremely collaborative comprising of its own membership alongside other appropriate trade bodies and parties across the industry.

It is accepted that the timescales here are extremely challenging and already there is an acknowledgement that we will only be delivering the absolute basic requirements to meet the deadline of April 2015. The demanding timescale is - HMT consultation closed on 11 June; HMT response to consultation due out middle to end of July; the FCA consultation will follow hard on heels of the HMT response and then the FCA will be looking for responses to the consultation by end of September. Some legislation will be needed, the precise type and timing of which will need to be determined by consultation responses and decisions taken. Realistically then we are looking at having the basic framework in October 2014 to deliver in April 2015.

However, in the midst of this is a real dilemma for the consumer. This is around the use of the words guidance and advice. When communicating with the public these two words are interchangeable. The classic definition of advice is **'guidance or recommendations offered with regard to prudent action'**. Its regulatory meaning **'is a personal recommendation from a qualified individual given after due consideration of your personal circumstances and objectives'**. The TISA project team is wrestling with how we can deliver the guidance promise and avoid consumer confusion. To add to this confusion The Conduct of Business Sourcebook defines advice as 'a personal recommendation to a retail client in relation to a retail investment product which is a term which in itself has a specific and detailed meaning'. The point here is that the word advice is being used in many contexts and is often been interpreted differently. Consumers do not fully understand the meaning of financial advice in the regulated sense and in addition they are not aware that regulated advice is covered by the Financial Services Compensation Scheme. This is a form of protection they will not receive with any other form of advice or guidance.

In light of this confusion, it may be possible to structure the delivery of retirement guidance on three levels. Firstly, for financial planning as it exists currently today, simplified advice and then guidance delivered by financial guides or simplistic websites. Financial advisers could facilitate mainstream advice for those consumers for whom simple financial guidance is insufficient. The financial guide would help consumers make choices without providing personal recommendation using something similar to current decision trees which could be available online, by telephone or face-to-face.

What is really important in the outcome here is that the consumer knows and understands exactly what service they are getting and all the costs and protections that are available within the different methods of seeking information and understanding to ensure they make the correct decisions on their investments and financial planning. The FCA thematic paper on simplified advice which is due imminently should help our project team clarify the structure that we can build to deliver the Chancellor's challenge.

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