

CHANGES

Those who study history, particularly warfare, will no doubt be aware that to achieve the strategic overall goal it is sometimes appropriate to withdraw or alter original decisions or plans.

I was reminded of this last week when a decision by the FCA interestingly caused predictable ripples amongst adviser firms. In March this year, an FCA thematic review clearly stated that advisers could not call themselves independent if they referred clients to other internal experts. The regulator's paper indicated that all advisers must be willing and able to advise on all retail investment products, to retain the independent label. The only exception to this was where they are referring cases related to occupational pension transfers and long-term care.

However, last week the regulator issued a statement which now permits advisers to refer clients to other specialists and remain independent. This move is to be welcomed as it is in the customer's best interest that the person ultimately providing recommendations and advice is a specialist in that particular field. The new guidance would relate to situations in which an adviser may want to outsource or pass over specialist work, such as income drawdown or offshore tax planning, to a colleague who has those necessary advisory skills and, more importantly, qualifications.

This takes us back to regulation originated under the FSA which stated that more than one adviser may be involved in developing independent advice for a client as long as the firm has appropriate systems and controls to ensure that personal recommendations provided by their advisers meet the required standards. It is likely that this change will have little consequence in the market as I would suggest most advisory firms have already been doing this. Most firms would ensure that customers receive specialist advice in certain areas and they have to take ownership and responsibility for the advice given, by whoever has giving it within the firm. However, following last March's statement, no doubt some firms changed their internal compliance process.

If you look at most large firms and networks post-RDR, they have already implemented a 'terms and conditions of approval' process as a result of previous thematic reviews. Firms such as Chase de Vere have had an approvals process in place for some time, where they use a centralised technical team to sign off the more specialist cases. The change is a welcome clarification from the regulator and makes it clear that firms can ensure they use the expertise within the firm as was originally intended by the independent rules.

The clarification from the regulator will help improve financial outcomes for many customers utilising the collective knowledge and experience of the whole of the business, rather than just the individual adviser who is trying to facilitate the correct solutions. Firms will therefore have to undertake responsibility for a comprehensive and unrestricted review of the market and delivery of appropriate advice for the client. There is now no reason why the firm should not utilise staff internally or outsource to a particular specialist if the subject matter demands it.

It should be remembered that firms need to undertake sufficient due diligence on a service before recommending it to their clients to meet their obligations to treat customers fairly. This would include allowing firm to refer customers to another advice firm due to capacity or because they do not fit a firm or advisers particular specialism profile. The position of external referrals may require a whole new set of thought processes to ensure firms comply, as the regulator will no doubt be looking closely at the compliance process and a demonstration of ongoing monitoring particularly around who is giving advice and who is paying for it. The upcoming Thematic Review on *due diligence* may have some crossover with this latest decision from the regulator.

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