

## The Chartered Banker Institute Response to the FCA Call for Input: Evaluation of the Retail Distribution Review and the Financial Advice Market Review

We welcome this opportunity to provide input into the forthcoming review.

Our Institute is focused on raising and sustaining professionalism across the financial services sector and in promoting to our members, and others, the very highest standards of knowledge, skill, integrity, trust and behaviour. We are therefore supportive of all efforts to improve outcomes for consumers through the regulatory regime.

Below, we comment only on those aspects of the planned review which fall within the Institute's expertise and on which we are expected by our members to comment.

For more information about our ongoing work, please see [Annex 1](#).

### Response to FCA Questions

#### **Q1: Is there any other evidence we should consider in our review of the RDR and FAMR outcomes and indicators in Annex 1 and Annex 3?**

Despite efforts by the sector and the regulator, there is still a lack of clarity between the terms 'advice' and 'guidance' and, in our opinion, the difference in knowledge and training which may underpin the provision of these services. In RDR outcomes and indicators the first objective sets out that:

*Consumers understand the difference between different types of advice (independent advice, restricted advice)*

In the same way that this was an important indicator at the time, given the fine line between guidance and advice, the Review may wish to consider whether there is a need to evaluate consumer understanding and judgement of the differences between these terms, and even 'information giving'. Indeed, this review might evaluate the impact of the consumer guidance published on the FCA website<sup>1</sup>; how much traffic there has been to it, whether it should be better publicised through providers etc.

#### **Q2 and Q3:**

No comments.

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<sup>1</sup> <https://www.fca.org.uk/consumers/understanding-advice-guidance-investments>

## **Q4: Do consumers have the right information to compare advice and guidance services and to shop around? How easy is it for them to compare services?**

We would refer the Review to our response to a similar question with regards to improving consumer comparison of current accounts<sup>2</sup>. There is perhaps much the Review might draw from this FCA work<sup>3</sup>, which investigated the relevant comparison data that is meaningful to consumers, particularly with regard to advice fees and charges. However, it remains our view that key data reflecting a firm's attitude and approach to cultural change should be included amongst such metrics. Indicators of professionalism would not only link to the FCA's objectives on competition, but aligns various strands of the FCA's work to improve outcomes for consumers;

- better qualified and knowledgeable staff have a positive impact on innovation;
- commitments of this nature indicate not just the letter, but the spirit of the regulations are embedded; and
- goes some way to help establish a sector that is going above and beyond the minimum standards.

Such indicators could include numbers of advisors qualified to give advice [SPS holders] versus guidance, the professional status of senior managers and board members, and even expose how many 'guidance givers' have no relevant professional qualification / affiliation at all.

We would also refer the Review to our previous comments with regards to the term 'guidance'. In this, we supported the views of the FSCP that there is a valid argument to protect the term guidance to reflect impartiality<sup>4</sup> and that where guidance is related to the sale of a product then this should be clear from the outset.

## **Q5 and 6:**

No comments.

## **Q7: Do consumers have confidence and trust in advice and guidance services and do these services address their needs?**

When considering the issue of trust; our own research<sup>5</sup> has repeatedly found that consumers favour interactions with qualified, professional individuals. However, as your paper indicates, many consumers will not be in the market for 'qualified, professional advice' but rather could be supported by 'qualified, professional guidance givers'. We have previously argued that it is just as important to have minimum standards in this area which ensure 'guidance givers' are fully aware of where the line is, how to deal with it when a consumer brings the discussion close to this, and how to effectively say 'no' in a professional and helpful manner e.g. explaining where advice can be found and why it must be found there. This is no doubt a challenge to the

<sup>2</sup> The Chartered Banker Response to FCA CP17/24: Information About Current Account Services:

[https://www.charteredbanker.com/resource\\_listing/cpd-resources/chartered-banker-institute-s-response-to-fca-cp17-24.html](https://www.charteredbanker.com/resource_listing/cpd-resources/chartered-banker-institute-s-response-to-fca-cp17-24.html)

<sup>3</sup> Information about current account services: <https://www.fca.org.uk/publication/consultation/cp17-24.pdf>

<sup>4</sup> Response to FCA CP17/28 FAMR: implementation Part II and insistent clients: [https://www.charteredbanker.com/resource\\_listing/cpd-resources/institute-s-response-to-fca-cp17-28.html](https://www.charteredbanker.com/resource_listing/cpd-resources/institute-s-response-to-fca-cp17-28.html)

<sup>5</sup> Source: YouGov Qualifications Survey March 2015 Survey size: 2076 & YouGov Reputation of Banking Survey October 2016 - Survey size: 2106

maturity of a firm's culture: in some cases, this will mean directing the consumer to seek advice elsewhere i.e. turning away a potential customer – but doing so is the right thing for that consumer, the firm and ultimately wider society too. We would define this as professional behaviour and, as in many other of our previous responses, we would encourage greater use of that term by regulators and policy makers when considering how to improve outcomes for consumers. The terms 'professional' and 'professionalism' are absent from this paper; to the extent that the part in the regime played by the introduction of Statements of Professional Standing [SPSs] is not mentioned explicitly, but is wrapped into the wider assessment of the qualification requirements.

To this end, and to be very clear, this is not a call from a professional body to set qualification requirements for guidance givers. But we do see merit in setting baseline standards of knowledge and behaviours. As stated in FCA CP16/29, Section 14.6, the objective of the knowledge and competence proposals within MIDIFD II were such '*that customers in the regulated financial services markets deal with firm employees who are competent*'. It is well within the regulators gift to express what this should look like and professional bodies, such as ours, will be on hand to support this through external, independent verification. It remains our firm belief that all consumers deserve, and will see improved outcomes, if dealing with individuals that delivery a quality service through increased levels of professionalism and adhere to high standards of individual conduct.

With the forthcoming extension of the SMCR, and potential for the Certified regime to bring more guidance givers into scope of the conduct rules we would expect to see that this Review consider this significant change in terms of its anticipated impact in addressing the challenges raised in this paper. We comment further on this in our response to Q14 and 17 below.

#### Q8-13:

No comments.

#### Q14: Are the rules and guidance around advice and guidance working well? and Q17: Did FAMR or the RDR result in unintended consequences that have caused consumer harm?

When responding to the adoption of the new definition of advice as a personal recommendation in line with the guidelines of MIFID II, it was then, and remains now, our concern that removing a requirement for any independent assessment of their knowledge and competence, particularly on an ongoing basis, sends out the wrong message to consumers. In our feedback<sup>6</sup> we shared the view with the FSCP<sup>7</sup>, that in response to the amended definition of advice, firms were likely to carefully structure their operations to offer non-advised sales or 'guidance' further limiting access to knowledge and competent staff with the skills to help understand their needs and the products that can address these. As we have commented previously<sup>8</sup>, the RDR made it uneconomic for banks, building societies and others to offer full-

<sup>6</sup> [https://www.charteredbanker.com/resource\\_listing/cpd-resources/institute-s-response-to-fca-cp17-28.html](https://www.charteredbanker.com/resource_listing/cpd-resources/institute-s-response-to-fca-cp17-28.html)

<sup>7</sup> [https://www.fs-cp.org.uk/sites/default/files/fscp\\_response\\_hmt\\_amending\\_the\\_definition\\_of\\_financial\\_advice.pdf](https://www.fs-cp.org.uk/sites/default/files/fscp_response_hmt_amending_the_definition_of_financial_advice.pdf)

<sup>8</sup> [https://www.charteredbanker.com/resource\\_listing/cpd-resources/chartered-banker-institute-s-response-to-financial-advice-market-review--call-for-input--consultation.html](https://www.charteredbanker.com/resource_listing/cpd-resources/chartered-banker-institute-s-response-to-financial-advice-market-review--call-for-input--consultation.html)

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blown independent financial advice and as a result, no high street banks or building societies currently offer such advice, beyond catering to the needs of relatively small numbers of high net-worth clients.

We do not dispute that having only those providing a personal recommendation meet the full requirements of the appropriate qualification framework is clearly beneficial in clarifying who can and can't engage this activity. We also accept that the cost of qualifying advisers has meant that the tailored services they offer are generally only affordable to the affluent.

As your paper finds, it is a different case for mass market advice. However, these customers also require certainty that a firm's 'guidance givers' have the right knowledge and competence. It is true that these individuals are or will soon be covered by the Certification Regime. But with the changes under MIFID II, there is no threshold requirement for the independent assessment of specific knowledge and competence in this 'guidance giving' sector of the market, which seems to go against the objective of these initiatives to drive up standards and access.

'Guidance givers' that are members of a relevant professional body, such as ours, or achieving a professional standard, such as the Chartered Banker: Professional Standards Board's Foundation Standard will demonstrate their personal commitment to their professional development. In each case, individuals must demonstrate appropriate knowledge and behaviours and adhere to a professional code of conduct. Those adhering to our codes not only exceed regulatory requirements, but do so in a way that addresses the spirit as well as the letter of the rules. Together this should enhance and sustain public confidence and trust that they are dealing with suitably knowledgeable and competent professionals, that they can trust. We are not calling for a statutory requirement of professional membership; in our view it is better that individuals are choosing to make this commitment voluntarily. However, as we move towards the extension of the Individual Accountability Regime across all regulated firms, we believe that opportunities, such as this review, could be used to consider its role in encouraging professional membership and a commitment to developing and maintaining professional standards are very simple but effective steps to preventing and mitigating risk.

But we admit even this will not catch all players: increasingly guidance/non-advised sales services are being moved online; through robo-advice, streamlined and filtered systems. However, we would still suggest that a threshold requirement for 'guidance givers' is reconsidered. This could be done by extending the role of the accredited bodies to ensure that a firm's 'guidance givers' are committed to maintaining a core level of knowledge against the expected outcomes of, for example, Exam Standard ApEx 1 Financial Services, Regulation and Ethics.

### **Q15, Q16 and Q18-23**

No comments.

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## **Q24: What emerging risks to consumers do you see in the market?**

Without identifying specific websites, it is clear that consumers are seeking guidance online from independent experts. This perhaps indicates a growing trend in consumers seeking advice from online 'experts', journalists or even their peers, who in no way have to show their qualification or competence.

It is evident that such sites provide a valuable service and, arguably, go some way to bridging the 'advice gap'. However, on what basis can consumers assess whether the information these sources provide can be trusted? Indeed, what makes the 'guidance givers' at regulated firms any different to these sources of information? Again, we would ask that the review give serious consideration to the simple steps, which could support consumer trust and confidence in the quality of the knowledge and technical competence of 'guidance givers', such as further engagement of accredited bodies.

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## Annex 1

## Chartered Banker Institute: Overview



**THE ONLY INSTITUTE TO AWARD CHARTERED BANKER STATUS**

**WORKING WITH MORE THAN 100 BANKS WORLDWIDE**

**1 CODE OF PROFESSIONAL CONDUCT FOR ALL MEMBERS**

**OVER 32,000 MEMBERS**

**MEMBERS FROM 87 COUNTRIES ACROSS 6 CONTINENTS**

**82% WOULD RECOMMEND THE COMPLETION OF A QUALIFICATION TO OTHERS**

**THE FUTURE OF BANKING**

**ONLINE CPD RESOURCES ON OVER 60 TOPICS FROM LEADERSHIP TO CUSTOMER SERVICE**

**SUPPORTED 177,589 BANKERS TO ACHIEVE THE FOUNDATION STANDARD GLOBALLY**

**4 ACCELERATED ROUTES TO CHARTERED STATUS FOR SENIOR/EXPERIENCED BANKERS**

**14 UNIVERSITY PARTNERS DELIVERING ACCREDITED QUALIFICATIONS**

**OVER 500 CPD RESOURCES FOR MEMBERS ON ETHICS, CULTURE AND CONDUCT**

**UK WIDE NETWORKING EVENTS AVAILABLE TO MEMBERS**

## Institute Background

1. The Chartered Banker Institute is the world's oldest and largest professional body for bankers in the UK, with 33,000 members. Founded in 1875 and established by Royal Charter, our aim is to enhance and sustain professionalism in banking that successful and sustainable banking is built on.
2. In 2011, we established the Chartered Banker Professional Standards Board (CB: PSB), in collaboration with industry, to develop and embed professional standards for bankers. The CB:PSB was the first collective response to raising professional standards after the Financial Crisis in 2008, and that it in many ways pre-empted the focus on these issues from 2012 onwards. Over 163,000 individual bankers, achieved the Foundation Standard in 2018.
3. Our work also supports the work of regulators and banks to enhance and sustain a culture of customer-focused, ethical professionalism in banking. We are committed to promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas and offer professional membership to qualified bankers. We are the only professional body in the world able to confer the status of Chartered Banker to suitably qualified individuals.
4. As evidence of our growing influence with regulators and policy makers, in 2018 the Institute's CEO Simon Thompson was invited to join HM Treasury's Financial Services

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Skills Taskforce. And in 2019, the Institute has been invited to support the FCA's Roundtable programme investigating purpose in the financial services sector. Our CEO has been asked to Chair a Working Group into the "purpose of retail banking", which will report back to the main grouping in late 2019.

5. We support numerous routes in helping individuals achieve professional qualifications and professional membership to ensure bankers at each stage of their career, develop and sustain the skills and knowledge required of a modern, reflective practitioner. Our professional qualifications are recognised globally, and we provide approved regulatory qualifications. We also work with others, including many major banks, to accredit internal training and development programmes aligned to the Institute's professional and qualifications standards.
6. Internationally, the Institute's impact and influence is growing, with partnerships with professional bodies in Australia, the Bahamas, Hong Kong, India, Ireland, Malaysia, Malta, New Zealand and Pakistan. We are now proud to have both student and professionally qualified members in 87 countries across the globe, all of whom share a commitment to the Chartered Banker Code of Professional Conduct.
7. In 2017, we formed the Chartered Body Alliance (ourselves along with the Chartered Institute for Securities and Investments (CISI) and the Chartered Insurance Institute (CII), with a joint membership of almost 200,000, representing an important development in the re-professionalisation of individuals working across all financial services. The purpose of this Alliance is for the member bodies to work together to promote increased professionalism in financial services, for the public good, and to provide a united voice on standards for financial services.
8. In 1989, the Institute established the *Young Banker of the Year* competition, and this continues to be the highlight of the Institute's annual event calendar. The competition seeks to highlight the contribution of one individual with the potential to lead positive, customer-focused change, as judged by a distinguished panel of industry figures, chaired by the Lord Mayor of London, and plays an important role in promoting a revitalised banking profession by recognising the qualities of young bankers, who through their ideas and actions can help to improve the reputation of the industry.
9. The Institute takes its role in supporting the transition to a more sustainable and socially just world very seriously, and in 2019 was very proud to become one of the UK's first supporters of the UNEP FI's Principles for Responsible Banking [PRB].
10. See [www.charteredbanker.com](http://www.charteredbanker.com) for more information on the Institute and its activities.

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