

Our Industry Commentator View – John Lappin

Does the Financial Advice Market Review require an unprecedented understanding of business models?

The review team have help from a variety of established businesses on its advisory panel – complete with the usual flak for bias towards providers in terms of numbers at least. No doubt these businesses understand their own business models very well and will advise the review accordingly.

Yet it still feels as if the joint Treasury/FCA team need to engage in a rather challenging thought experiment something which – with all due respect - civil servants have rarely engaged in before.

They need to get their heads around how to run a business and to do so profitably and compliantly.

Then they need to understand how that business could be encouraged to extend its services compliantly and profitably based on any possible changes introduced by the review.

The review is definitely in the enabling category and thus potentially a deregulating one. It is not designed to remove a source of bad behaviour from a segment of the market – a matter of imposing new rules. It is not designed to impose regulation on a sector that has not been regulated before, as with mortgage brokers where the existing principles with some intelligent adaptation were applied.

FAMR involves a challenge of a very different nature.

It involves finding ways to allow financial services firms to extend coverage/help/guidance/advice to the wider public yet there is no really obvious rule change which could deliver immediate results.

So the questions appear to be whether it may be possible to extend the IFA ethos and approach lower down the income scale while maintaining, as far as possible, the quality of the outcome and letting the IFA business make money while doing so. Or whether it is possible to allow other players in the market, say a comparison site, to deliver a recommendation or at least set of recommendations but with a good outcome almost always delivered.

The final question might be can you combine the two, perhaps through a bank or platform.

Not easy of course and there probably isn't time in the timetable to allow for a pilot study.

It feels as if those involved in the FMAR may be facing the intellectual challenge of a lifetime.