



Association of Mortgage Intermediaries' response to Money Advice Services's Proposal for a retirement adviser directory

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI). AMI is the trade association representing over 80% of UK mortgage intermediaries.

Intermediaries active in this market act on behalf of the consumer in selecting an appropriate lender and product to meet the individual consumer's mortgage requirements. Our members also provide access to associated protection products.

Our members are authorised by the Financial Conduct Authority (FCA) to carry out mortgage and insurance mediation activities. Firms range from sole traders through to national firms and networks, with thousands of advisers.

AMI welcomes the opportunity to respond to Money Advice Service's (MAS) consultation on its Proposal for a retirement adviser directory.

Overview

The changes in the last budget

The changes made in the last budget to allow consumers to have greater choice over how they use their pension pot at retirement will undoubtedly increase the need for the provision of regulated advice.

Even if the planned retirement guidance, as promised in the budget, is a success part of this success will be to ensure that consumers take the next step and obtain regulated advice to facilitate their option(s) at retirement.

Consumers must feel confident that any guidance is impartial. We believe that MAS is an appropriate body alongside the Pensions Advisory Service (TPAS) to help consumers to reach a regulated adviser to address their needs. Therefore, we support MAS's proposals to create a register of regulated advisers. This will help to ensure that consumers receive an effective hand-off from the outcome of any use of retirement guidance. Clearly not all consumers will have a need to use the directory, but we believe the vast majority will.

The directory

The directory should act as a searchable register of advisers that provide a range of both retirement and post-retirement advice options. The register should be comprehensive enough to address the wide range of retirement options that consumers will be or should be considering. It should not just look at annuity advice but also at alternative pension options such as buy-to-let finance. It should also address post-retirement issues by providing details of equity release advisers.

In the longer-term the register could be developed to provide details on all financial advisers and mortgage advisers. The need is for a single directory of such advisers to ease consumer access to advice and allay fears about the commercial nature of the current third party offerings (e.g. Unbiased). This need is relevant across all consumers, not just those reaching retirement.

The register should be run and administered by MAS. It should have a single entry point and be regularly updated. It should be fully searchable and as broad in scope as necessary to meet the needs of consumers.

The cost of the directory should be taken from existing MAS budgets or from the budget Government has set aside for the creation of its retirement guidance. The creation of this directory should not add to the already sizable costs industry is charged for MAS's work.

Consultation Questions

Consultation Question 1:

Do you agree there is a need to improve the customer journey towards regulated financial advice?

We support MAS's proposals to apply a new directory to improve the customer journey to regulated advice. Currently not enough consumers find their way to regulated financial advice at retirement. MAS should always promote the value of regulated advice to all consumers when they are making financial decisions.

In relation to the issues at retirement it is important that consumers are made aware of the difference between guidance and advice and that the guidance route provided is unlikely to be sufficient to meet their needs in the majority of cases. Guidance should only be seen as a starting point.

More generally MAS should consider the ways it can improve the customer journey towards regulated financial advice for all consumers at all parts of their life cycle, not just those approaching retirement.

Applying a new directory which could be expanded to cover other financial products or services would also be of benefit to the majority of consumers.

Consultation Question 2:

Do you agree any new directory should also include details of advisers who specialise in the post-retirement advice market?

The majority of consumers who arrive at the directory as a result of using the retirement guidance will still want (or be recommended to take) an annuity as the most suitable product for their needs and circumstances. Having saved their whole working lives it would seem likely that most consumers would want the security of regular income an annuity offers.

As the average life expectancy continues to increase there will be a greater need for consumers to have access to regulated mortgage advice in the post-retirement market. An essential feature of the post-retirement market will be growing demand for equity release and other hybrid products. It will be essential that advisers who operate in these sectors are included in any post-retirement section of the directory.

Consultation Question 3:

Do you agree that a new retirement adviser directory might provide a solution for consumers needing regulated retirement advice?

Most current retirement guides suggest that consumers seek regulated advice at retirement. What is likely to be more important, as identified in section 2.3.5 of MAS's proposal paper, is that there could be consumer confusion when it comes to finding a suitable adviser through using the directories which are currently available.

A MAS directory would provide an independent and impartial option for consumers to use. Given MAS's current marketing strategies it should also be able to optimise its resources to attract consumers to its directory.

Consultation Question 4:

Do you agree that information regarding fees should be included in the directory?

We believe that consumers should be able to establish the fees they are likely to incur by using a given adviser prior to commencing any transaction. However, we are unsure whether this information needs to be available to consumers prior to the natural position established under FCA regulatory regime.

Advisers' costs may be dependent on the level of services being offered and what is required by the consumer. The lowest cost option may not always be the best option for the consumers, especially when making key decisions at the crucial time around retirement.

Advisers will already need to disclose their fees to consumers under FCA's rules. However, the way in which fees are charged could cause a misunderstanding of the information in the directory if it is applied as a searchable option. The directory needs to ensure that the information captured is used in an appropriate way.

Our view is that fees information should be available to the consumer, perhaps once they have clicked on the selected adviser but should not be used as a searchable

option. This is to ensure that consumers are not overly focused on the lowest cost solutions at the expense of receiving the best advice.

Consultation Question 5:

If so, do you have any views as to how this might be presented to consumers? For example, should there be a 'menu' or list of services with average or approximate costs given for each service?

We do not believe that the directory should be focused on cost. This information on cost will be made available to the consumer as part of FCA's regulatory regime and such information could be shown on the directory. We are concerned that a directory with an over emphasis on price, such as with insurance price comparison sites, could drive consumers to the cheapest option, which might not be the best option overall. Especially as the impact of any decisions made at retirement may be far reaching for consumers.

Consultation Question 6:

As well as contact details, qualifications and expertise, type of service offered and fees charged is there any other information you think the directory should include on the adviser firm or individual advisers?

All advisers will have to have met FCA requirements to provide advice. These requirements have been subject to regulatory scrutiny and review. We do not believe that MAS should add in additional requirement under its directory. FCA's minimum standards are sufficient for advisers that operate in the area of regulated advice. FCA looked at the issue of qualification in RDR and MMR and made changes where it was considered necessary. FCA does not consider that further enhancements are required and it is not MAS's role to determine that additional enhancements are needed to protect consumers. MAS is not a regulator, therefore as long as the firm is FCA regulated, we do not consider that qualifications should be part of the register.

Consultation Question 7:

Do you agree that an independent panel should decide upon the entry criteria for the adviser directory?

We support the decision to create a panel as proposed in MAS's paper.

Consultation Question 8:

Do you agree that the main consumer and adviser professional bodies should be invited to join the independent panel? If so, can you suggest the particular bodies you feel should be invited to be members of the panel?

MAS should not just consider professional bodies but industry representative bodies as well. Such as the Association of Mortgage Intermediaries (AMI), Association of Professional Advisers (APFA) and the Equity Release Council (ERC), they represent the firms who are regulated. The professional bodies represent individual advisers who are important but are not the responsible entity.

Consultation Question 9:

Do you agree that the Money Advice Service should host the directory?

Yes. MAS's independence will be a key factor in its success.

Consultation Question 10:

If not, is there another organisation you feel should host the directory?

It should only be hosted by MAS.

Consultation Question 11:

Do you agree that data management and verification plus on-going maintenance should be outsourced to a suitable organisation and paid for by the host organisation?

Yes, providing it is appropriate to do so.

Consultation Question 12:

Do you have any suggestions as to which organisations should be invited to tender for the data management and verification services?

The tender processes should be as open as possible. It should not be based on recommendations.

Consultation Question 13:

Are there any other benefits to consumers or advisers in establishing a new directory?

No comment

Consultation Question 14:

Are there any disadvantages of establishing a new directory that we have not envisaged?

No comment

AMI

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