

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Retail Investments Policy  
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12 May 2008  
Our ref:CP08/3

Dear Sarah

## **CP08/3\*\*\* Simplifying Disclosure: Information about services and costs**

This is the Financial Services Consumer Panel's response to the proposals in CP03/3\*\*\* Simplifying Disclosure: Information about services and costs.

### **Overview**

The Panel supports evidence based policy-making by the FSA, but the less than overwhelming consumer preference for the proposed new document suggests this still might not be the right solution. There is a real need for a post-implementation review to assess the success of the new document and interim thematic work to check compliance with the disclosure requirements, whether a firm is using the new form or anything else to discharge its obligations. In this respect it is essential that 'bespoke' documents are consistent as well as compliant.

It is important that consumers are encouraged to read the disclosure documentation. Even a perfect document will not be helpful if consumers do not read it and rely instead on, say, verbal information from their advisers alone. While this might well be accurate, accuracy cannot be taken for granted. In addition a clear and accurate document would provide a written record in situations where there is a subsequent dispute. We would like to see the purpose and objectives of the document stated more clearly at the outset. A document headed on the lines of "You need to read this important document. It explains the service you are being offered and how much it will cost you" would, we believe, result in consumers being more likely to take an interest in and understand it – or at least ask further questions - than one with the more general heading 'about our services and costs'.

***Q1: Do you agree with our proposal to introduce an IDD-style document into guidance in COBS to replace the existing IDD and menu guidance? Please give reasons.***

The Panel supports the proposal to introduce a new IDD style document to replace the existing IDD and menu guidance. The FSA's research has identified this as the best of the documents tested, although we remain concerned that the level of support for it was so low. This suggests that if the new guidance fails to deliver the right results, including evidence that investors are using the document to help 'shop around', the FSA might have to think more widely about the objectives of the disclosure issue. We urge the FSA to undertake a post implementation review at the end of 2009. This will be a valid exercise even though the transitional period does not end until August 2009 as we believe it is essential for the FSA to gauge the success of the new document, where it has been used. It would also be helpful to know if any particular 'bespoke' documents had proved more successful, or were picked up and read more frequently by consumers. We further recommend that the FSA undertakes thematic work in the intervening period to test firms' compliance with the disclosure requirements, whether using the new integrated document, bespoke documents or the current IDD and menu.

***Q2: Do you believe there is scope for industry guidance in this area? If so, what do you envisage?***

***Q3: If you are interested in developing industry guidance, please describe what you envisage (eg whether it would build on our IDD-style document, what areas it would cover) and the likely timeframe.***

***Q4: If you think industry guidance is more appropriate than FSA guidance, what guidance, if any, should be provided in the interim while industry guidance is being developed?***

While the Panel has no objection to the use of industry guidance as a tool for facilitating compliance and, as a consequence, providing a benefit for consumers, the Panel strongly favours the use of FSA guidance rather than industry guidance in this case. Arrangements are in place for the Panel to be consulted on industry guidance for which FSA confirmation is being sought and we would be pleased to comment on other guidance that would impact on disclosure to retail consumers – although it would not be possible for the Panel to endorse any particular document. Most importantly, however, there is a need for consistency if consumers are to be able to compare costs and services. There is a significant risk of confusion and fatigue if consumers are faced with a range of different disclosure documents from different firms that are offering a similar, or the same service. Overall therefore we believe that FSA guidance would be the most effective way forward.

***Q5: Do you have any comments on our services and costs disclosure document?***

It would encourage consumers to take time to read the document if its objectives – which are extremely important – were made more clear at the beginning of the document. A simple but specific statement that consumers should read the document as it is important and explains the nature and costs of the service being offered, would make it more likely that consumers would pick up the document and pay close attention to it.

**Q6: Do you agree that firms conducting designated investment business for a retail client in relation to non-MiFID packaged products should give the client information about the firm and its services and costs and associated charges, before providing services?**

Yes.

Yours sincerely

A handwritten signature in black ink that reads "Adam Phillips". The signature is written in a cursive style with a long, sweeping underline.

Adam Phillips  
Vice Chairman