

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346  
Local fax: 020 7066 9728  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Peter Morris  
Retail Policy & Themes Division  
Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

31 July 2008

Our ref: CP08/11

Dear Peter

## **CP 08/11\*\*\*: With-profits funds – compensation and redress**

This is the Financial Services Consumer Panel response to CP08/11: With-profits funds – compensation and redress.

The Consumer Panel welcomes the FSA's decision to consult on changing the Conduct of Business Rules to prevent proprietary firms running with-profits funds from charging payments for compensation and redress to their inherited estates. We support the view that shareholders should bear the risk of management failures, such as the failings of systems and controls and firmly believe that firms should at all times treat their policyholders fairly.

*Q1: Do you agree with our proposal to prevent the use of inherited estates to pay compensation and redress?*

We agree with the proposal to prevent the use of inherited estates to pay compensation and redress. We strongly believe that shareholders should be responsible for meeting any mis-selling costs. The current situation of permitting the use of the inherited estate reduces the size of the inherited estate, effectively penalising policyholders for corporate failures. As shareholders participate in the profits of a business when it is successful, we believe that it is appropriate that they should bear the burden of mis-selling costs.

*Q2: Do you agree with our detailed proposals?*


The Panel is not in a position to comment on the detailed proposals.

We are disappointed that the FSA has not taken the opportunity to use this consultation paper to explain why it believes that the continuing rules on the permitted uses of the inherited estate remain appropriate. We also reiterate our view that a more robust governance structure e.g. independent and effective with-profits committees would improve the transparency of administration of the principle

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of treating customers fairly, ensure that policyholders' interest are properly taken into account and help restore confidence in these products.

Yours sincerely,



David Lipsey  
Chairman

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