

Telephone: 020 7066 9346

Email: enquiries@fs-cp.org.uk

Emma Thomas
Conduct Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

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Our ref: RDR Pure protection

Dear Emma

CP10/8 Pure protection sales by retail investment firms:
remuneration transparency and the COBS/ICOBs election**

This is the Financial Services Consumer Panel's response to CP10/8** Pure protection sales by retail investment firms.

The Panel is supportive of the FSA's proposals, which are pragmatic and should bring clarity in a complicated area. It is essential that the FSA monitors these changes once the new rules are in place to ensure that there is no consumer detriment arising from the non-application of Adviser Charging to sales of pure protection by investment advisers.

The Panel's response to the specific questions contained in the Paper, are set out below.

Q1: Do you agree that we should change our rules that allow firms to elect to sell pure protection under COBS so that they can do so without applying the Adviser Charging rules to their pure protection business?

Yes, we support this approach. We do not believe that investment advisers selling pure protection under COBS should have to apply the Adviser Charging rules, provided that the FSA puts in place thematic or other supervisory action to identify any manipulation of this rule change to the detriment of consumers.

Q2: Do you agree with our proposals for increased remuneration transparency for sales of pure protection products associated with investment advice?

We agree with these proposals, which should help consumers to understand the cost of the products and services being provided and how the adviser is to be remunerated.

Q3: Do you think our alternative proposal to require remuneration transparency according to the permissions held by a firm, rather than the circumstances of the transaction, is preferable?

We agree. This has the benefit of relative simplicity in a complex area.

Q4: Do you have any comments on our draft rules and guidance, particularly our guidance on the circumstances when a pure protection service is considered to be associated with investment advice?

The Panel is not in a position to respond to this question.

Q5: Do you have any comments on our cost benefit analysis?

The Panel is not in a position to respond to this question.

Yours sincerely

Adam Phillips
Chair
Financial Services Consumer Panel