

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Dear Ms Cooper

CP11/11* Quarterly Consultation no 29

This is the Financial Services Consumer Panel's response to the proposals in Chapter 5 of CP11/11* Quarterly Consultation no 29, relating to the proposed change to guidance on the use of certain terms in promotions.

If some firms need guidance on the meaning and use of terms such as “guaranteed”, “protected” and “secure”, and the findings of the review referred to in the Paper confirm that this is the case, it is clearly in consumers’ interests that such guidance is provided swiftly and that it is effective.

The guidance as drafted is appropriate so far as it goes, but is not in our view an adequate response to the issue of the use of misleading terms in advertising. Significant consumer detriment can arise from the misuse of terms such as guaranteed, protected and secured - for example, when a consumer is sold a product that had been marketed as “guaranteed” where the capital sum was not in fact “guaranteed”. We strongly urge the FSA to provide as a matter of urgency far more help to firms in the form of good practice guides or similar aids, including examples of the appropriate and inappropriate use of these and similar terms.

Finally, we also recommend a further review of this market within twelve months of the guidance being issued – possibly accompanied by research into consumers’ understanding of the terms - followed by robust enforcement action in cases of non-compliance with either the ‘fair, clear and not misleading rule’ or the Principle of Treating Customers Fairly. If necessary at that stage, we would like the FSA to consider more prescriptive rules or more detailed Handbook guidance.

Yours sincerely

Adam Phillips
Chair, Financial Services Consumer Panel