Retail Investment Advice Assessment of Ongoing Services

A research report

Prepared by NMG Consulting **December 2014**

Authors and acknowledgements

This document reports the findings of a research project carried out for the Financial Conduct Authority (FCA) between September and October 2014 by NMG Consulting.

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The views contained within the implications and conclusions of the report are NMG's based on the research findings. Any errors in the report are the responsibility of the authors.

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Abbreviation	Meaning
FA	Financial Adviser
FCA	Financial Conduct Authority
IFA	Independent Financial Adviser
RDR	Retail Distribution Review

4 Glossary

The report contains a number of industry terms. Definitions are as follows:

Term	Meaning
Advice	For the purposes of this report, we use this term to mean sales where consumers have received a personal recommendation from a financial adviser.
Advice users	Consumers who currently make use of financial advice on investment products on either a transactional or ongoing basis.
Advisers	Provide regulated advice to consumers including both Independent Financial Advisers and Restricted Advisers.
Consumers	The potential target group for advisory ongoing services (including ongoing services).
Independent advice	Regulated advice based on a comprehensive and fair analysis of the relevant market. Advice is unbiased and unrestricted.
Non-advised	For the purposes of this report, this is used as an 'umbrella term' to mean sales or channels where consumers have not received a personal recommendation.
Ongoing services	A service provided to a consumer, usually after an initial piece of advice or transaction on a retail investment product has taken place.
Ongoing service charges	The fees advice users pay to their adviser for ongoing services.
Participants	The individuals who took part in this research. Used when research findings are being described.
Personal recommendation	This term has the same meaning as in the FCA Handbook, that is, a recommendation that is advice on investments and is presented as suitable for the person to whom it is made and is based on a consideration of the circumstances of that person.
Pre-RDR relationship	A user-adviser relationship that was set up prior to the implementation of RDR on 31st December 2012.
Post-RDR relationship	A user-adviser relationship that was set up following the implementation of RDR on 31st December 2012.
Regulated advice	For the purposes of this report, we use this term to a personal recommendation from a qualified individual given after due consideration of the consumer's personal circumstances and objectives
Restricted adviser	An adviser that provides regulated advice that does not meet the standard for independent advice.
RDR	The Retail Distribution Review which came into effect on 31st December 2012
Users	Consumers who are current recipients of ongoing services. Used when discussing insights, implications and conclusions that may apply to the broader market

Unbiased and unrestricted advice	Where a firm gives unbiased advice on a range of investment products representative of the whole market

5 Executive summary

Around two in three advice users receive ongoing services.
Using regular reviews as a key indicator of receipt of ongoing services, 65% of advice users receive ongoing services. The majority of these tend to be within the older age brackets and hold higher levels of investable assets. Those who declined the offer of a review believe that ongoing services would not be useful to them and/or are confident managing their investments themselves. Charges feature as a reason for declining an ongoing service in just over 1 in 10 advice users.

Ongoing service users do not differentiate between the ongoing element of the service and overall advisory services received.
Users find it far easier to think of the emotional benefits of using ongoing services than the tangible features that comprise the service. Awareness and knowledge of the specifics of ongoing services and what advisers do 'behind the scenes' is very low.

Users are satisfied with ongoing services and consider these an integral part of financial advice.
Satisfaction levels amongst ongoing service users are very high, with 97% saying they are 'quite' or 'very satisfied' with services received. Satisfaction levels rise with wealth and age, as a greater proportion of those that are 'very satisfied' are older and in higher wealth bands. Those with an independent adviser are more satisfied than those with a restricted or single provider adviser.

These high satisfaction levels indicate that advisers are delivering on the key perceived benefits of receiving ongoing services, that of 'security' and 'peace of mind'. Beyond this, users are driven by the opportunity to achieve higher investment returns than they would otherwise receive. The knowledge that a trusted professional is managing their investments, making their money work harder and safeguarding their financial future is a key motivator. Users value ongoing services to help "*make the complicated stuff simple*".

There are elements of the ongoing services proposition that consumers value above others and which should be made (more) prominent by advisory firms.
These include:
- An unrestricted, open channel to the adviser e.g. through phone or email.
- Regular attention to their personal circumstances and goals, going well beyond the formalised risk profiling /fact finding questionnaires in to an exploration of softer needs and requirements.
- Being proactive. Communicating on a regular basis (in addition to the annual review) to 'check in' with the client and ensure no changes have occurred. The expectation is for this to happen once or twice a year.
- A prompt response. Consumers do not expect their adviser to be 'on call'. However, a response within 24 hours is desirable.
- Communicating to explain the possible impact of new legislation etc. However, this needs to be tailored to the consumer. Generic information is not highly appreciated.

Trusted relationships underpin ongoing service arrangements. Once these relationships are established, users are often loath to switch advisers, even for the opportunity of making small financial gains.
The importance of trust and an open, working relationship cannot be overstated. This results in an entrenched and highly 'sticky' relationship. Advisers should ensure that, beyond financial rewards, firms are focused on delivering peace of mind and addressing users' worries and concerns about an unpredictable financial future.

In an advice world moving to more consistent and centralised business processes, it is clear that this needs to be balanced with a personalised, relationship-based approach that users highly value.

Charging structures for ongoing services are unclear to a sizable proportion of consumers.
Despite the heightened disclosure requirements post-RDR, there are significant levels of low awareness that ongoing service charges are being paid.

Around one in two users of ongoing services (75% of which have pre-RDR relationships) are aware they are paying a charge for ongoing services.

Around a quarter of users believe they are *not* being charged for the service. The remainder are either unsure or believe the adviser is receiving commission from the provider.

Much greater awareness of charges is seen in those that have *set up a new investment post RDR* compared to those that have not, indicating that the RDR requirements for increased transparency around charges are having a positive influence on user awareness of ongoing charges.

Awareness of the existence of a charge is not indicative of knowledge of *how much* is being paid. A great majority of those aware of ongoing service charges are unable to give a ballpark estimate of how much they are paying, often confusing the advice charge with the total charges incurred, or finding it hard to identify advice charges amongst the plethora of documentation given.

It is likely that, once users are made better aware of charges, they would not terminate the relationship. This is due to the importance of the benefits received and is especially true of longer standing relationships.

There is scope for increasing awareness of ongoing services and associated charges.
'Ongoing services' is not a meaningful term to consumers. It needs to be defined and charges shown in relation to the specific services that they deliver. There is scope for advisers to impart more information about what they do 'behind the scenes' to help explain and support ongoing services fees. This will provide reassurance that the client's portfolio is being continually monitored and adjusted to safeguard their best interests.

There is a strong expectation from ongoing services users that they should receive an invoice or statement informing them of fees paid. Importantly, the absence of such a document and/or not needing to make a separate payment often leads the user to believe that they *are not* paying for ongoing services.

Awareness of charges may be increased by

- Stipulating charges clearly and in writing when the relationship is set up and when any changes to the fees are effected.
- Communicating charges verbally and via a dedicated document that is ideally sent to the consumer separately to any other information packs.
- Sending annual statements of services delivered and costs incurred.
- Consistently stating the exact, personalised amounts in pounds and pence (not percentages), supported by very plain English.

Advisers need to be more confident about communicating charges to clients.
The research provides strong evidence that existing ongoing service users value ongoing services and the benefits they perceive, and would be unlikely to give these up simply to avoid the associated charges. There are no significant differences in satisfaction levels when analysed by whether users

are aware of ongoing service charges or not. Even those that are aware they are paying a fee demonstrate the same levels of satisfaction as those that perceive advice to be free.

This message is particularly important for advisers with clients still on a trail commission basis who have not yet been updated about the RDR changes / moved on to an adviser charging basis. There is a growing need to engage more effectively with clients who will be impacted by the forthcoming ban on fund rebates.

6 Background, research objectives and methodology

This chapter describes the background to the study, the research objectives set and the methodology used.

6.1 Background

This research study (tender number TEN-14-154) is part of the third and final cycle of the FCA's thematic project to supervise the implementation of the RDR.

The third review cycle examined how advisory firms' business models had developed as a result of the RDR. In particular the FCA used firm-facing work to investigate:

- The ongoing services firms are providing to clients in return for the ongoing adviser charge
- How firms are designing and delivering these ongoing services in practice now that the RDR has been in place for over 18 months

Using consumer research, the FCA wanted to understand:

- Whether consumers understand the ongoing service element, including, the optional nature of the service and the relevant cost and impact, and
- Whether ongoing services are meeting consumer needs and expectations

As a result of this cycle, the FCA wanted to identify and inform the industry on how ongoing services and relevant pricing structures are best designed to meet consumer requirements with the aim of improving consumer outcomes.

6.2 Research objectives

This research was driven by five broad objectives:

1. User motivations, influences and drivers for taking up ongoing services
2. User understanding of what the service entails and will deliver
3. User experience of, and satisfaction with, ongoing services overall and the full financial review, in particular
4. User needs and expectations of ongoing services
5. The proportion of advice users who take up ongoing services

The research also aimed to identify any difference in the above between consumers who set up their advised relationship prior to, or after, the implementation of RDR.

6.2.1 Detailed research objectives

The detailed research objectives for the project fall under the broad aims outlined in 6.2.

1. *User motivations, influences and drivers*
    - Reasons they chose to purchase ongoing services
    - Most attractive/valued features, drivers and expectations

2. *User understanding of what the service entails, and will deliver*
    - Awareness of the elective nature of the service and that ongoing reviews are optional
    - Understanding of what the service will deliver and the level of service they will receive (especially where the firm offers a number of service level options)

- How often reviews would be conducted
- Consumer understanding of the costs involved, what they were paying for and how they were making the payments

3. *User experience of, and satisfaction with, ongoing services and the full financial review*
    - Experience of the annual review
    - Channel used; e.g. online, by telephone, face-to-face or a combination of these and perceptions of the channel used
    - The level of service they received and whether they felt they received the level of service they paid for
    - The most helpful/valued features of the service
    - Understanding of reasons for fund switching, where applicable
    - Satisfaction with ongoing services received
    - How they paid for the service

4. *User needs and expectations*
    - What is valued most and least about ongoing services
    - Levels of satisfaction with the service
    - What they would like to see from ongoing services that they do not believe they currently have access to
    - The extent to which they value, and will continue to pay for, ongoing reviews which do not result in any changes to their portfolio or in the purchase of new products

5. *Prevalence*
    - The proportion of advice users receiving ongoing services

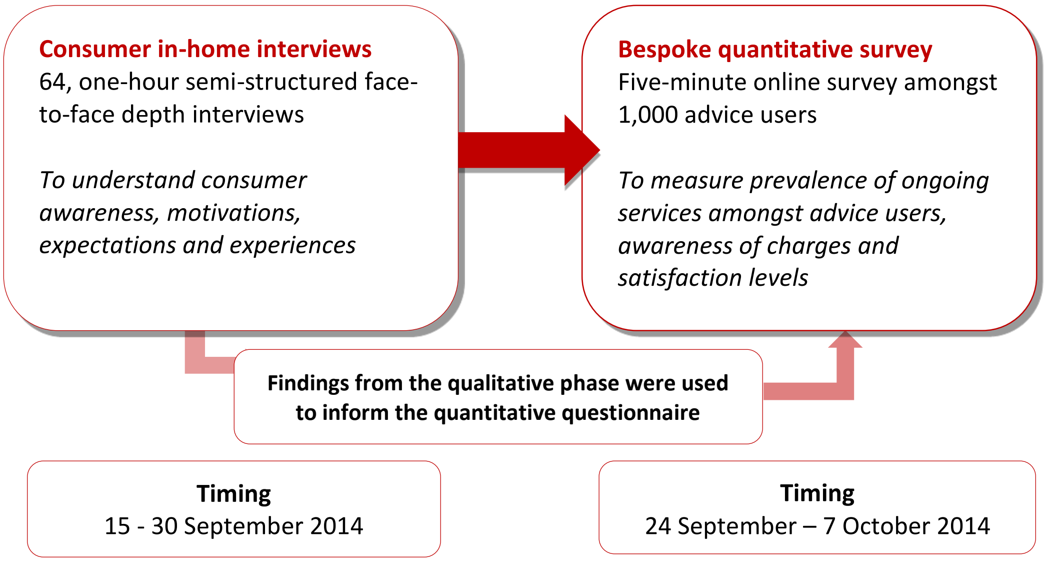
6.3 The research approach

The study used a qualitative-into-quantitative design (as shown in Figure 1).

The qualitative phase was primarily aimed at determining user understanding and experience of ongoing services and related charges. An in-home setting and semi-structured interviewing approach were used to encourage participant disclosure and to allow easy access to documentation describing ongoing services and related charges if necessary.

A subsequent, bespoke quantitative survey amongst advice users had, as its main objective, the determination of prevalence of ongoing service users within the wider advice user population. The survey was also used to assess levels of satisfaction with, and awareness of charges related to, ongoing services.

Figure 1 Qualitative-into-quantitative methodological approach used in the research



6.4 Qualitative phase

6.4.1 Recruitment

Consumers who had used ongoing services since 1st January 2013 were recruited using a free-find[1] approach.

To determine whether consumers were the recipients of ongoing services, a series of screening questions were used. These included, for example, the experience of a regular financial review as evidence of using ongoing services.

Wherever possible, all potential participants were asked to produce a copy of their client service agreement (or equivalent) at recruitment to ascertain whether they were ongoing service users and, hence, eligible to participate in the research. However, this was not always possible as consumers were not always able to locate the document. In these cases, we determined eligibility by checking whether the consumers were receiving key elements of ongoing services e.g. regular financial reviews.

Recruitment quotas were set to ensure that the views of a wide variety of advice users were represented. Varying levels of age and investable assets were included in the sample. Those with recently set up and more long-standing advised relationships were included in addition to those who had experienced a financial review in the past 12 months or not.

A summary of these criteria is shown in Figure 2 below.

Figure 2 Recruitment criteria with sub-categories

Criteria	Sub-categories
Age	30 – 44, 45 – 60, 61+
Financial sophistication	More, Less
Level of investable assets	£30,000 - £99,999, £100,000 - £249,999, £250,000+

[1] A method of consumer recruitment for market research that does not use customer lists but relies on screening individuals from the general population to find the correct profile.

Region of residence	North of England, South of England, Midlands
Had a financial review in the previous 12 months	Yes, No
Advised relationship set up	Pre vs post-RDR

All participants were the main or joint financial decision-maker in their household for long-term investments and savings. The sample also included a spread of distribution channels (bank, independent financial advisers and restricted financial advisers) and retail investment product/s held.

A full breakdown of the qualitative participant sample is included in Section 13.1.3

6.4.2 Method

64 one-hour, in-home, depth interviews were conducted using semi-structured interview guides.

Participants were asked to have any documentation that described the nature of their ongoing service relationship to hand. This was viewed and discussed during the interview to assess the extent to which the participant was aware and understood what ongoing services they were receiving and the fees they were paying for this.

To facilitate a more accurate assessment of the participants' unprompted understanding of the topic, they were asked complete a 'knowledge quiz' at the beginning of the interview. Further on in the discussion, they were asked carry out ranking and value attribution exercises to identify which elements of the service were considered most and least helpful.

6.5 Quantitative phase

A bespoke, five-minute online survey was designed to measure the prevalence of ongoing service take-up amongst advice users. 1,013 participants took part, all of whom had received regulated financial advice since January 2013.

The online survey was built and hosted in-house by NMG Consulting. The survey website was branded NMG Consulting but participants were informed that the research was commissioned by the FCA.

6.5.1 Sample

Sample was sourced from consumer online panel provider Research Now. Quotas were imposed, to ensure that the sample of advice users was representative in terms of wealth level. Other factors, such as age, gender and the pre/post RDR relationship split were allowed to fall out naturally.

In order to identify advice users, a detailed and consumer-friendly definition of 'regulated financial advice'[2] was provided. However, the nature of online quantitative research means that it relies to an extent on consumer understanding, as the survey is unassisted. Further

[2] 'Regulated financial advice' has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so that they can recommend products or give you advice that is suitable for you only. A regulated financial adviser would ask several detailed questions about your needs and circumstances, including full details of your income and outgoings, and your existing savings and investments.

analysis of the results indicates that some consumers do not have a full understanding of what constitutes ‘regulated’ advice, but within the scope of this project it was not possible to probe further and check that all respondents were in receipt of genuine regulated advice.

For more details and a full breakdown of the quantitative sample please see Section 12.2.5.

6.6 Reporting conventions

The report makes use of verbatim comments to support the findings. These are participant quotations, based on interview recordings with only minor, if any, editing. They are labelled using the participant’s age bracket, amount of investable assets held and whether the advised relationship was set up pre- or post-RDR. The participant quotations demonstrate their own views and may not always be factually correct.

When referencing quantitative data, any differences mentioned are significant at 95% confidence level and take into account the base size of the proportions in question. Where figures are circled in charts this denotes a significant difference (at 95% confidence level) between the groups shown.

7 Prevalence of ongoing services

This chapter describes the rate of take-up of ongoing services and the profiles of current users.

7.1 Summary

Using regular reviews as a key indicator of receipt of ongoing services (see rationale in 7.2 below), *65% of advice users receive ongoing services*. The majority of these tend to be within the older age brackets and hold higher levels of investable assets. There is also a higher proportion of female and self-employed consumers in this category compared to the base of advice users who do not receive regular reviews.

Advice users who are *not offered* regular reviews are less likely to hold higher levels of investable assets. Those who *declined* the offer of a review feel that ongoing services would not be useful to them and/or are confident managing their investments themselves. Charges feature as a reason for declining an ongoing service in just over 1 in 10 consumers.

7.2 A note about determining prevalence

To achieve a valid take-up figure for ongoing services, this report uses *receipt of regular financial reviews* as the key indicator of usage. This is driven by what emerged as a pervasive lack of consumer awareness and understanding of what constitutes ongoing services. Additionally, it is possible some consumers who are *not* paying for ongoing services, may have access to some elements of it (e.g. newsletters or the perception that they have free access to an adviser).

For this reason, measuring the *prevalence of receipt of regular reviews* is more reliable than querying participants about their usage of 'ongoing services'.

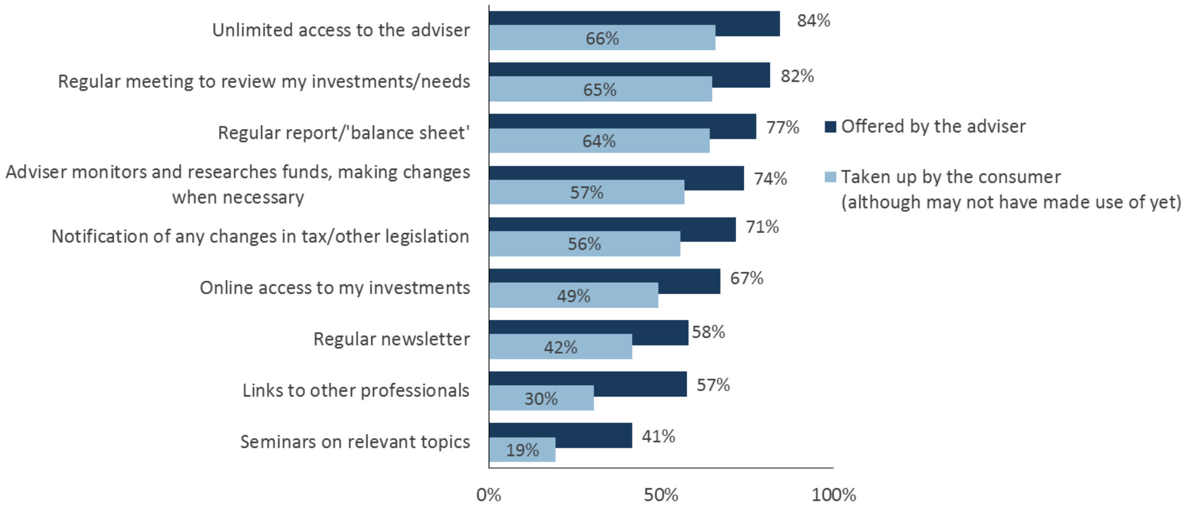
The findings below describe prevalence based on the number of advised users currently receiving regular financial reviews.

7.3 65% of advice users receive ongoing services

65% of advice users have regular meetings to review their investment needs. This report uses this figure as the measure of take-up of ongoing services.

The figure aligns with the proportion who receives regular reports/balance sheets (also a core element of ongoing services) at 64%.

Chart 1: Services[3] offered and received by advice users



Base: All respondents (1013)
Q11 We'd like you to think about any services that your adviser provides on a regular basis – that is, after they have provided you with their recommended actions and/or arranged an investment for you.
Please read each of the services below and tick the option which applies to your adviser.

Regular reviews appear to grow in relevance and importance as consumers' wealth and age increases. Take-up of regular reviews increases from 44% amongst under-35s to 76% amongst the 65+s and from 54% amongst those with under £30,000 to 81% amongst those with £250,000+. In terms of firm type, take-up is highest amongst wealth management advice users (80%), and lowest amongst bank/provider advice users (49%).

70% of advice users with a pre-RDR relationship are taking up a regular review compared to 51% of those with a relationship established post-RDR (as explained earlier in this report, findings on total take up of a regular review is based on participants agreeing with the statement 'My adviser provides me with this/will be providing me with this').

The recency of the post-RDR adviser relationship explains this difference. The lower take-up amongst those with a post-RDR relationship is to an extent due to the shorter time elapsed, and advisers not yet offering a review: 22% of this group have not been offered a review, whereas only 12% of those with pre-RDR relationships say they were not offered a review.

Females are more likely to take up regular reviews than males (70% vs 62%).

7.4 Characteristics of ongoing service users

Collectively, the attributes of ongoing service users present an image of a wealthier, more engaged consumer, compared to advice users who do not use ongoing services. Those receiving a regular review are more likely to hold higher levels of investable assets (49% have £100,000+ compared to 29% of non-users) and to be in the older age brackets (41% are aged 55+ compared to 29% of non-users). They are also more likely to be using a financial advice firm (60% vs 48% of non-users) or wealth management firm (12% vs 6%) and the adviser is more likely to be 'whole-of-market'[4] than non-users (63% vs 44%).

[3] Detailed descriptions were given of each service. These are shown in the questionnaire shown in Section 14
[4] The term 'whole-of-market' was used in the questionnaire as a way to describe an independent adviser

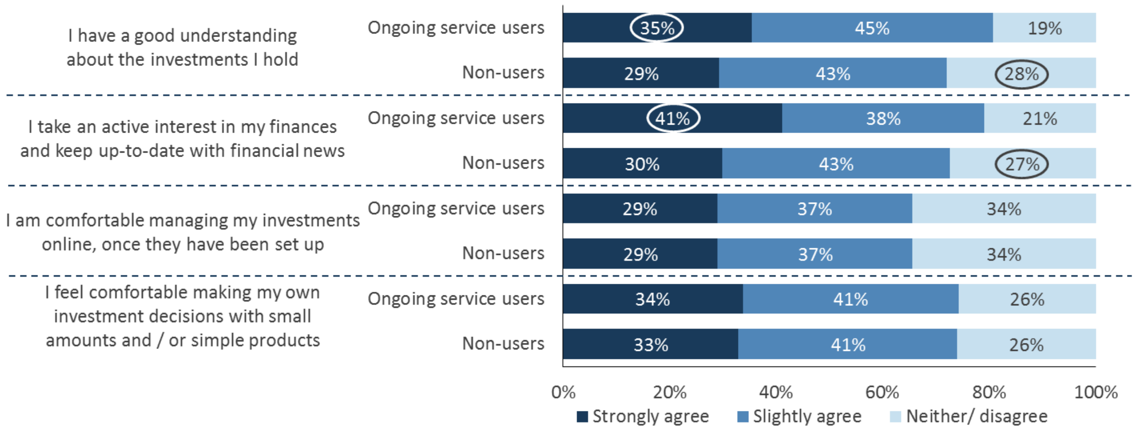
It is worth noting that 39% of bank/provider advice users think their adviser is tied and 37% believe the adviser is 'whole of market'. Those using bank/provider advisers are less likely to have been offered a review: 24% of bank/provider advice users were not offered a review, compared to 12% of those using advisers from any other firm type.

The majority (76%) of ongoing service users have an advised relationship that was set up pre-RDR and tend to be more knowledgeable about their investments (35% strongly agree vs 29% of non-users). They are more engaged with investments generally (41% strongly agree vs 30%) and tend to hold more products (in particular Stocks and Shares ISAs, Unit Trusts and personal pensions).

A higher proportion are female (32% compared to 25% of non-users), self-employed (16% vs 10% of non-users) and less likely to have children living at home (29% vs 37%). It is worth noting that the latter variable is likely to be linked to age and is therefore a direct result of older age brackets being more strongly represented amongst ongoing service users.

Ongoing service users are significantly more likely to be interested in keeping up with financial news and their investments.

Chart 2 Attitudes towards investing by ongoing service use

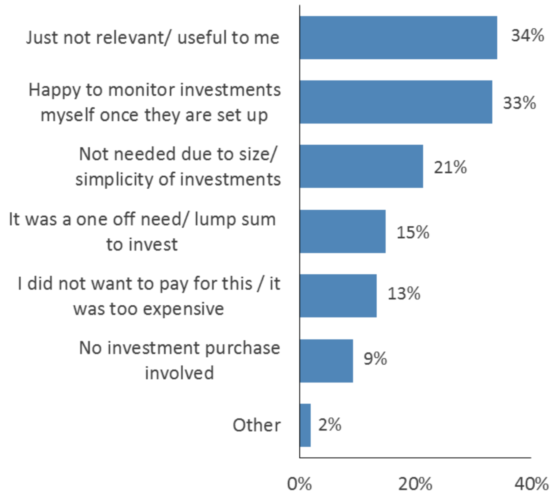


Base: All advice users (655 regular review users, 358 non-users of regular review)
Q16 Please select to what extent do you agree or disagree with the following statements with regards to investing?

7.5 Reasons for declining ongoing services

Lack of relevance and a willingness to self-manage their investments are the top two reasons given for declining ongoing services. One in five believe that the small size or straightforward nature of their investment did not warrant ongoing management by an adviser. Charges feature as a reason for declining ongoing services amongst just over one in 10 consumers (13%).

Chart 3 Reasons for declining ongoing services



Base: Those who declined one or more ongoing services offered (646)
Q15 What are the main reasons you decided not to take up some or all of the regular services your adviser offered?

8 User motivations and benefits

This chapter describes how advice users view ongoing services, the key drivers for using the service and the benefits that they hope to gain from doing so.

8.1 Summary

From the user's perspective, the ongoing element of financial advice is an integral part of the service and an important motivator for paying for advisory services. Users do not differentiate between the different elements of the service and consider ongoing services a core part of the advisory service received overall.

The strongest driver for using ongoing services is the opportunity to achieve a better return on their investments, than they could achieve themselves in the absence of ongoing services. The main benefit to the user is the ongoing peace of mind that someone with expertise and awareness of the market is taking care of their portfolio and safeguarding their financial future.

Trusted relationships underpin ongoing service arrangements and, once these relationships are established, they are extremely sticky, as users are often loath to switch advisers, even for the opportunity of making small financial gains.

8.2 User perceptions of ongoing services

Users view the ongoing element of the adviser service as an integral part of financial advice. To the great majority, it is the reason for which they decide to use advisory services in the first place. From the user's perspective, thinking of ongoing services as an optional add-on is largely incompatible with how central they believe this feature to be to the service they receive.

Further to this, users tend to view ongoing services as more than a functional provision of services. From their perspective, it is best described as a *working relationship with a trusted professional who is acting in their best interests*. Key to the user's experience are an ongoing (often entrenched) relationship and trust in their adviser. Users often feel they have a lot vested in their relationship. In most cases, the performance of their portfolio is likely to impact their financial future, and to an extent, that of their loved ones. Understandably, therefore, they are very engaged with maintaining a good advised relationship.

When initially approaching an adviser, the great majority of consumers will rely on recommendations from family and friends. Typically they feel less confident when dealing with financial matters and will readily admit to not being in a position to assess a financial adviser's expertise. They expect practitioners working in the industry to be "*qualified*" but would generally be unable to name the desired qualifications or define any other criteria for assessing an adviser's level of competence. For this reason, relying on recommendations from family or friends who have had a relatively successful history of investing via an adviser, is critical as it offers a form of emotional reassurance that they are doing what they can to engage with individuals who are competent and/or trustworthy.

8.3 The key role of financial advisers

Given the high degree of trust vested in the financial adviser, their professional behaviour, and to an extent, personal demeanour, is key. Users expect their financial adviser to be trustworthy, reliable, understanding of their financial objectives and degree of risk they feel comfortable with, and available for occasional *ad hoc* queries or catch-ups (in addition to scheduled reviews).

On a personal level, a degree of affinity and rapport is also important. Advisers are expected to be personable, attentive and proactive. Indeed, a perceived lack of effort on the adviser's part to maintain their end of the relationship is viewed with misgiving as it represents the *absence of evidence* that the adviser is monitoring their portfolio and taking care of their assets.

Once a relationship, rapport and a degree of trust are established, users will consider their adviser of great personal value.

"There is some trust there so, if there was a situation where I want to invest, he will do the best thing for me (…) and get the most for my money."
(30-44, £30,000 - £99,999+, Post-RDR)

"For me it's a relationship thing. It is important because I don't have the intellect or knowledge to purchase structured products and he does. I could do better elsewhere but I stick with him because of the relationship. We have an objective target return. Sometimes it achieves that and sometimes not but there is a lot of goodwill and trust there so I stick with him."
(45-60, £250+, Pre-RDR)

8.4 Motivations for use

The key reason for using ongoing services is the opportunity to obtain a better financial return through the application of the adviser's specialist expertise and experience, than they could hope to achieve without an ongoing adviser relationship. 'Return' is more than simply investment performance; it is the collective financial benefit of using someone with greater knowledge and experience, who can ensure a consumer's money works harder, often over the long term.

Users also engage with ongoing services to:

- Ensure that someone is monitoring their portfolio and is reacting to market changes appropriately
- Obtain access to new products and funds not directly accessible to consumers or that they may not otherwise know about
- Free up the time they would otherwise have to spend managing their portfolio
- Have access to unbiased comparisons from the whole of the market
- *"Make the complicated stuff simple"*

"Just getting that bit of expertise. Somebody in the profession that knows the rules better than me and knows the upsides and downsides (…). You can read it in the paper but I'd rather have somebody guide me along the way."
(61+, £250,000+, Pre-RDR)

8.5 **The importance of emotional benefits**

Alongside the rational motivators mentioned in 8.4, users will engage with ongoing services for strong emotional reasons. The most valued emotional reward is the ongoing peace of mind that they are doing what they can to safeguard their own financial future, and, in many cases, that of their partner and/or children.

As many users are not wholly comfortable dealing with financial matters, using ongoing services relieves some of the stress and/or tedium of having to research, and set up, investments.

The *risks* that users pay to mitigate are that they fail to use their money to full advantage, or more importantly, incur irretrievable losses by relying on their own, limited understanding of the market.

"He takes some of the stress away."
(45-60, £250,000+, Pre-RDR)

"They have fund managers that keep an eye on the market and they know when to buy and sell. They are more adept than me. I have got the time but I feel safer with them."
(45-60, £100,000 - £249,999+, Post-RDR)

9 User experience and satisfaction

This chapter describes how users think about ongoing services, their level of satisfaction with their experience and the elements of the service that are most likely to boost satisfaction levels.

9.1 Summary

Ongoing services users are generally very satisfied with services received. This is especially the case amongst those with higher levels of investable assets and/or using an independent adviser/wealth management firm. Advisory firms appear to be meeting user requirements for a personalised, relationship-based approach, providing tailored recommendations, and thorough review meetings.

The latter factors are key to the users' perceptions of the quality of service received. Review meetings are viewed as a core part of the service and not something that would be considered optional. It is crucial that reviews are focused on assessing and updating the investment portfolio and agreeing future strategic direction. While the majority of users appreciate being informed of charges for ongoing services, it is important that this does not take time or focus away from discussing their portfolio during the review meeting.

Users only have very minor suggestions for improvement which largely emphasise the pronounced need for a personalised approach; such as more proactive and tailored contact and presenting information in a way that takes into account their level of knowledge of financial matters. A lack of proactive and personalised communication is more likely to drive a switch in adviser than poor investment performance.

9.2 Users are very positive about ongoing services received

At an overall level, users are very satisfied with the level of service received from their adviser. This suggests that advisers are generally meeting users' expectations.

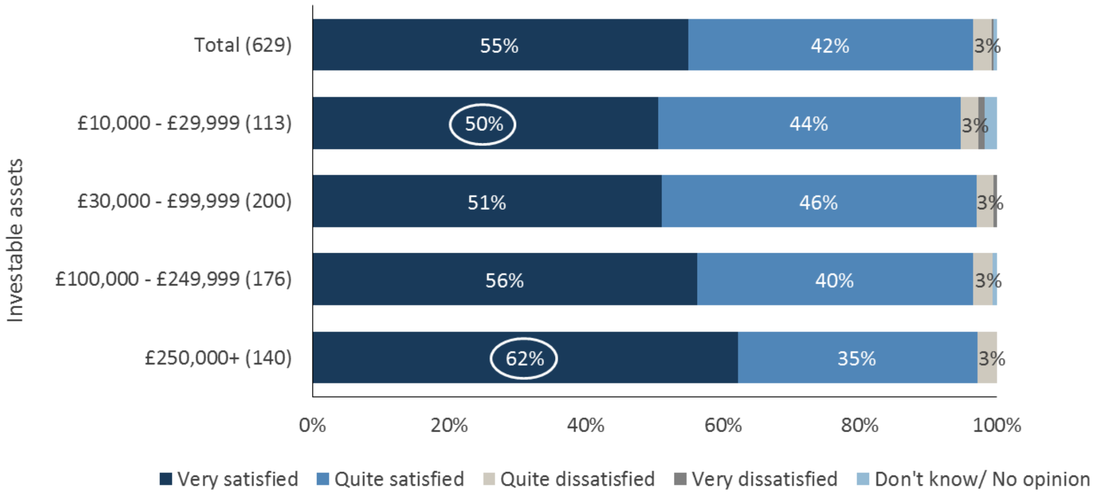
In addition to providing tailored recommendations based on an assessment of their clients' personal circumstances and goals, users believe that advisers are delivering the emotional rewards of reassurance and peace of mind. This is mainly achieved through making themselves available for ad hoc queries and catch-ups.

A positive experience of the regular review meetings also contributes to this and it is clear that advisers are delivering reviews that meet user requirements to fully understand their investments and be reassured that a good strategic approach is in place. (This is discussed further in Section 9.4.)

The online survey confirmed that perceptions of financial advisers and the advice experience amongst users is generally very good. User experience of ongoing services is positive with 97% saying they are 'quite' or 'very satisfied' with services received (see Chart 4). During the qualitative interviews, many described their adviser in highly complimentary terms – *"I would say mine is ideal!"* There is no significant statistical difference in the satisfaction ratings of those with a pre or post RDR adviser relationship.

Users with higher levels of investable assets are more likely to be 'very satisfied' with ongoing services. This may be partly due to the satisfaction of achieving high returns - potentially as a direct consequence of having higher values invested. It may also be due to levels of wealth increasing during a long-standing adviser relationship. In line with this, the data shows that satisfaction also increases with age.

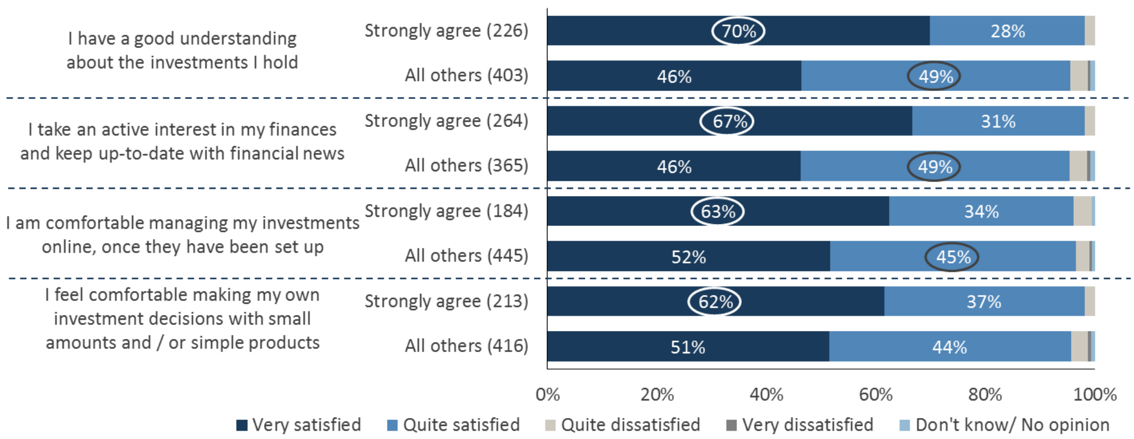
Chart 4 Satisfaction with ongoing services by level of investable assets



Base: Those taking up a regular review who have received/made use of any ongoing service (see chart)
Q13 Taking everything into account, how satisfied are you with the regular services you have received?

Satisfaction is also significantly higher amongst those using a whole-of-market adviser (very satisfied = 60%) and using an adviser from a wealth management firm (very satisfied = 64%). It is lower amongst those using restricted or single-tied advisers, based on participant understanding (very satisfied = 46%).

Chart 5 Satisfaction by financial sophistication of user



Base: Those taking up a regular review who have received/made use of any ongoing service (see chart)
Q13 Taking everything into account, how satisfied are you with the regular services you have received?

Users who strongly agreed with statements that described them as having a good understanding and taking an active interest in their investments and finances and also as being comfortable managing their investments and making investment decisions on small amounts or simple products were more likely to say that they were 'very satisfied' with their experience of a regular review. This implies that their interaction with the adviser is perceived to be more meaningful and/or more beneficial.

Based on this, it is reasonable to infer that educating advice users and encouraging them to be more engaged with their finances is likely to have a positive influence on satisfaction as they are more likely to appreciate the services received and be able to have a richer and more meaningful dialogue with their adviser.

Participants with pre-RDR relationships did not experience any noticeable differences in their reviews since 1 January 2013. However, a minority of users are aware of a stronger requirement for client sign-off before effecting any changes.

9.3 The importance of *personalisation*

Users expect advisers to review their personal circumstances and provide recommendations tailored to their requirements and objectives.

Beyond this, however, the most valued elements of ongoing services are those that provide evidence that a personalised service is being given. These are:

- Easy access to the adviser for occasional queries and informal, interim catch-ups
- Regular reviews
- Fund monitoring and switching if required (i.e. ensuring the portfolio continues to be fit for purpose)
- Access to valuations – and if necessary, followed up with a quick communication to clarify/ask questions

Other elements of ongoing services are appreciated to varying degrees, but tend to be viewed as 'nice-to-haves'. These would include services such as; provision of market information (the adviser is generally perceived as a secondary source for financial news and access to relevant professional services such as accountants for tax advice). Referrals to other professionals such as lawyers or healthcare specialists are also low down the list of requirements. (See Section 14 for percentages of users declining individual elements of ongoing services.)

9.4 The key role of financial reviews

Regular reviews are highly valued by users. To a great extent they encapsulate the nature of the ongoing relationship.

A face-to-face format is preferred as it provides reassurance and aids understanding of complex issues.

Consumers expect advisers to use regular reviews to:

- Discuss their circumstances and goals, occasionally including a formal check of their risk profile.
- Review their funds in detail
- Explain the impact of (new) legislation, where applicable
- Provide information (and reassurance where appropriate) when funds have decreased in value
- Discuss forecasts and future movements
- Be relaxed and friendly and give them the opportunity to ask questions

Expectations amongst users who have yet to have a first financial review (post-RDR relationships) were very similar to those held by users who have had reviews in the past.

At the end of a review most users will agree with the adviser's recommendations and give the go-ahead for any changes to be made to their portfolio. A very small minority will research the options discussed before signing off any decisions.

Importantly, fees and charges appear to be only rarely discussed during financial reviews. There is evidence that, while users would like to know what they are paying for ongoing services, they would not like this to be the focus of the review meeting. This is mainly because they want nothing to distract from the primary benefit of the meeting, of providing peace of mind and reassurance that their portfolio is in good hands.

"I wouldn't know where I was with things (without the review). *It's reassuring when he comes over."*
(61+, £100,000 - £249,999, Pre-RDR)

9.5 Low awareness of the optional nature of financial reviews

Users consider regular reviews to be a core part of the service. Indeed, to an extent it represents the relationship they have with their adviser. Users believe they would still opt to pay for reviews if these were presented as an optional add-on, such is the perceived value of them.

The majority of users would be happy paying for a review (as part of their ongoing charge) where no changes are made to their portfolio. Users understand that the adviser has allocated time to going through their investments and researching possible alternatives, even when the recommendation is to make no change.

"You'd be mad to opt out of that (annual review*). You need to have reviews as it's a lot invested."*
(45-60, £100,000 - £249,999, Pre-RDR)

9.6 The importance of perceived 'unrestricted' availability of the adviser

The high satisfaction ratings imply that advisers are meeting users' requirements for a personalised, relationship-based approach and are delivering the key emotional benefits of reassurance and peace of mind.

Unrestricted access to the adviser is also very important and evidence suggests that advisers are generally providing this, together with a prompt response to contact requests or queries by users.

Many will contact their adviser only occasionally (generally by phone and rarely more than once a year) to:

- Ask for clarification on any movements in their portfolio
- Run through any documentation sent by providers, to ensure that they understand what it is saying and/or what action is required
- Check on the impact of any market/legislative changes on their investments
- Discuss potential new investments they may have read/heard about
- Have an informal catch-up on the status of their portfolio

"I've got his direct mobile number. (…) We use someone at (major bank) *- their online tool. They don't offer the same advice. It's not personal!"*
45-60, £100,000-£249,999, Pre-RDR

“(It is important) *that he is there on email.”*
61+, £30,000-£99,999, Pre-RDR

The flipside of this is that a perceived lack of effort to maintain the relationship on the adviser’s part is more likely to prompt a change of adviser than manageable levels of poor performance – which are often ascribed to unpredictable market forces.

“(I left my previous adviser because of) *A lack of communication. I was a number rather than a person and didn't feel there was any ongoing communication. I expected they would call me for an annual review. It was very impersonal. I had to chase things a couple of times. You expected them to contact you. That would be evidence they were handling your case and looking after your best interest.”*
(45-60, £30,000 - £99,999, Post-RDR)

9.7 Suggestions for improvement

Research participants generally did not have any major suggestions for improvement. However, all the minor comments they made related back to the need for reassurance and a personalised approach. These included:

- More proactive contact
- Using simpler language/less jargon/charts that are easy to understand
- Presenting information in an easy-to-digest format

Importantly, for any communication to be appreciated, it needs to be tailored. Generic financial information is not greatly valued and will only be skim-read lightly, if at all.

10 Awareness and understanding of charges

This chapter describes findings on user awareness of charges related to ongoing services. It also describes their understanding of how their adviser is paid for ongoing services, what the fees cover and whether users can accurately cite the figure they are paying their adviser. The findings in this chapter are based on both pre and post-RDR relationships so cannot be said to be an accurate reflection of the impact of post-RDR service disclosure requirements.

10.1 Summary

Around one in two ongoing services users (i.e. all those that will have or have had an annual review) are aware they are paying a charge for ongoing services. Around a quarter of users believe they are not being charged for the service. It is important to caveat that a number of consumers who participated in this research may still be under a trail commission arrangement and may, therefore, not be paying ongoing service charges at this point in time. Much greater awareness of charges is seen in those that have bought a product post RDR compared to those that have not, indicating that the RDR requirements have had some success in improving consumer awareness.

Awareness of the existence of a charge is not indicative of knowledge of *how much* is being paid. A great majority of those aware of ongoing service charges are unable to give a ballpark estimate of how much they are paying.

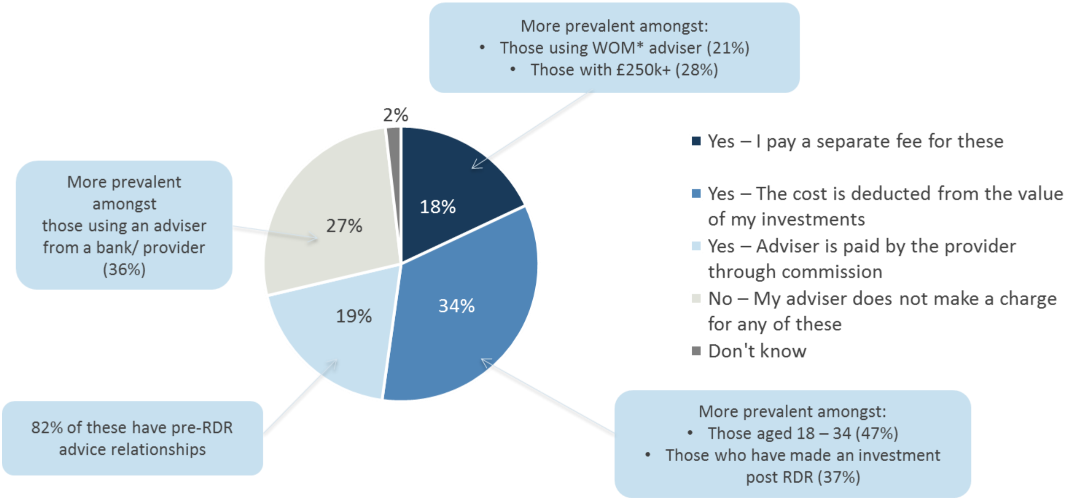
There is room for improvement with regards to documentation communicating charges, including documentation issued post-RDR. Ideally charges should be outlined in a separate, dedicated document, describe the service in plain, layman's English and give the exact amounts due in pounds and pence.

It is likely that, once users are made aware of charges, they would generally not terminate the relationship. This is due to the importance of the benefits received and is especially true of longer standing relationships.

10.2 Awareness of ongoing service charges

52% of users are aware of paying charges for ongoing services, either via a separate fee or their investments. 19% believe that their adviser is being paid a commission by the product provider and just over one in four users believe they are not being charged for ongoing services.

Chart 6 Awareness of charges amongst current users



Base: Those taking up a regular review (655)
Q14 Do you pay for any of the regular services your adviser provides (list of services shown)?
**Assessment of whole of market and restricted advice relies on participant understanding*

The majority (82%) of those who believe the adviser is being paid by the provider through commission, are respondents with a pre-RDR relationship. A number of these may still be under a trail commission arrangement.

Users who do not believe they are paying any ongoing services charges are more likely to be using a bank/provider advisory channel. The reality for a proportion of these may be that they are not actually paying anything on an ongoing basis, having paid a larger upfront commission on a legacy product. Where this is the case it is possible that the firm's terms of business do not commit it to providing any ongoing service to these customers, despite their perception that they are receiving an ongoing service.

Based on the qualitative phase of the research, it is evident that, while a sizable percentage of users are aware that they are paying ongoing service charges, many believe that they are not paying any fees because:

- The adviser is paid directly by the provider (which is not funded from their investment)
- They are long-standing clients and a special arrangement has developed over time – *"he wouldn't charge me."*
- They have not received what they would consider evidence of bills being paid, such as a statement or invoice

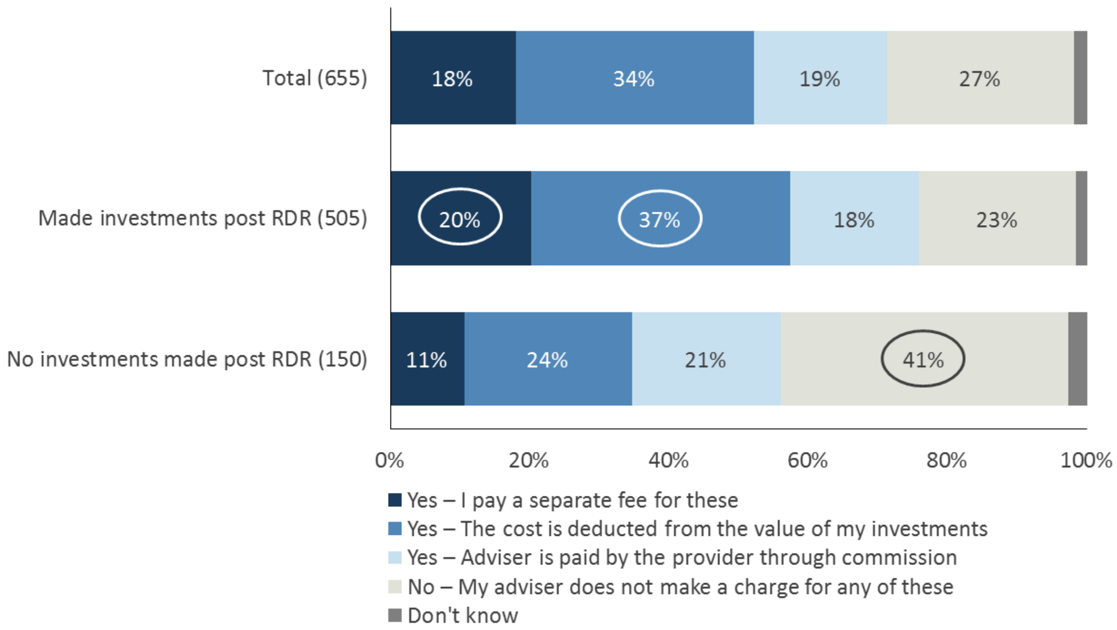
Many research participants were strongly convinced that they were not paying ongoing service fees. When the relative charging information was pointed out to them in the documentation they tended to react with surprise, confusion and, in some cases, disbelief. Many said that reading about this would prompt them to discuss charges with their adviser next time while a few insisted that they were not paying any ongoing service fees and that the information in the document was purely to meet regulatory requirements and did not apply to them.

10.3 Higher awareness amongst users who set up investments post-RDR

While there are no significant differences in awareness of charges between pre and post RDR users, there is a significantly higher awareness amongst users who have set up new investments post-RDR, with 57% being aware of paying for ongoing services (vs 35% of those who have not set up a new product post-RDR).

This is a clear indication that RDR requirements for increased transparency around charges are having a positive influence on user awareness of ongoing charges.

Chart 7 Awareness of charges by investments made pre and post-RDR



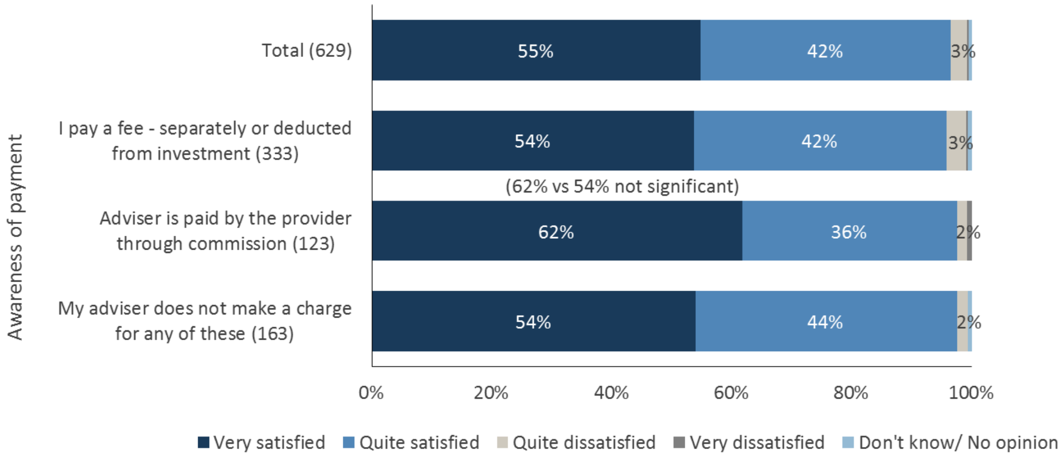
Base: Those taking up a regular review (see chart)
Q14 Do you pay for any of the regular services your adviser provides (list of services shown)?

10.4 Awareness of charges does not impact satisfaction with ongoing services

As discussed in Chapter 9, ongoing service users consider the service generally and regular reviews in particular to be of high value. The great majority are unaware that these could be optional and would still elect to pay for these services if they were presented as optional 'add-ons'.

Corroborating this qualitative finding, results from the quantitative survey reveal that there are no significant differences in satisfaction levels when analysed by whether users are aware of ongoing service charges or not. Even those that are aware they are paying a fee demonstrate the same levels of satisfaction as those that perceive advice to be free.

Chart 8 Satisfaction with ongoing services by awareness of charges



Base: Those taking up a regular review who have received/made use of any ongoing service (see chart)
Q13 Taking everything into account, how satisfied are you with the regular services you have received?

10.5 There is significant confusion around *how much* is being paid

Importantly, awareness of a charge for ongoing services is not necessarily indicative of an awareness of *how much* is being paid. This is true of both pre and post-RDR relationships. In fact, a great majority of those aware of ongoing service charges were unable to give a ballpark estimate (in pounds) of how much they are paying.

- Many overestimate how much they are paying (often confusing this with the total charge)
- Many find working with percentages challenging (and would prefer the adviser to *always* communicate the amount in pounds and pence)
- Recall of verbal communications around charges is poor
- The trust element means consumers do not 'keep tabs' on their advisers and do not check the exact amounts paid
- Low consumer engagement means that they often fail to read through the paperwork and are unaware of where to locate charging information
- Deduction from the investment is less obvious than a separate fee

"I am not clear how that works. I pay the bills and I've never seen a bill from him."
(61+, £30,000 - £99,999, Pre-RDR)

*"I **know** he has earned nothing. I can't remember ever having to write a cheque out."*
(61+, £250,000, Pre-RDR)

Two other elements impact awareness of charges being paid:

1. Recency of the client agreement. While this is likely to be partly due to better recall of the agreed terms of service, it may point towards an encouraging trend for new relationships to enjoy greater clarity around charges as the RDR regulatory framework takes effect.
2. With more longstanding relationships the trust element often comes into play and the user will often trust (without necessarily checking) that information on charges has been communicated at some point in the past and that their adviser is acting within industry regulations.

"I haven't discussed charges for some time. I went into costs in a lot of detail when I first met him. I have been with him for 10 years."
(45-60, £100,000 - £249,999, Pre-RDR)

Better recall was evident where the users had:

- Made the payment as a discrete amount, separate to the product (e.g. by bank transfer, direct debit or cheque).
- Signed an updated client agreement in the recent past, which was laid out in a particularly simple and clear fashion.
- Particularly high awareness of financial matters - especially about RDR - although this is not consistently the case.

10.6 A need to improve documentation about charges

The research found that for a sizable proportion of consumers, the paperwork appears to be falling short of making users aware of fees paid.

While the great majority of documentation seen during the qualitative phase communicated the charges for ongoing services, participants often failed to locate and understand this.

- Information on charges was often to be found within (by user standards) an overwhelming amount of paperwork that consumers shy away from reading. This was true of both pre- and post-RDR relationships. There is strong evidence that large volumes of documentation are more likely to be filed away without reading, on the assumption that all information contained is either a) as agreed or b) as requirement by regulation.
- The term 'ongoing services' is not meaningful to consumers. *Many failed to realise that ongoing service charges applied to them. It is important to bear in mind that, as mentioned in Section 9.2, separating this aspect from the overall service conflicted with their understanding of the advised relationship and this may have contributed to their failing to recognise a service they were effectively receiving.*
- For a minority, the document was too wordy and/or technical.
- Apart from feeling overwhelmed by the number of documents delivered, users are generally averse to reading individual documents that are too verbose and will often not peruse a lengthy client agreement in enough detail to locate information on charging.

It is clear that a key reason for users failing to realise that they are paying ongoing service charges is that these are often not communicated distinctly from all the other information and documentation.

Generally the least effective types of communication are those that quote a percentage e.g. '1.25% plus VAT'. It is often unclear what the base for this percentage is and users generally dislike working in percentages.

It is also confusing to users when descriptors use technical or non-transparent terms to describe the services covered. Examples of the latter seen in the documentation are '*Administrative support*' and '*Wealth planning*'.

There is a strong expectation from users that they should receive an invoice or statement informing them of fees paid. Importantly, the absence of such a document and/or not needing to make a separate payment often leads the user to believe that they *are not* paying for ongoing services.

10.7 More effective communications

Communicating charges effectively involves:

- Consistently stipulating fees in pounds and pence (in addition to a % being taken out of the investment).
- Issuing a separate annual invoice or statement of charges.
- Describing ongoing services e.g. by giving a simple checklist of services (in plain English and avoiding any technical terms and ambiguity).
- Communicating fees and charges in a separate, concise and dedicated document.
- Stating a specific fee for a specific service e.g. preparing a financial plan.

Figure 3 Example of a good practice document communicating charges

Service Level One - £150 p.a. or £12.50 p.m.

- Unlimited telephone/email access to a nominated Financial Consultant.
- Full initial financial planning review.
- Issue quarterly portfolio valuation statements including up-dated pension projections.
- Annual face-to-face session to review your complete portfolio and financial arrangements, up-date your risk profile, assess investment performance and make any according fund switching recommendations.
- You will be provided with an annual report of our review recommendations.
- Ad-hoc valuations upon request.

Please note that under this service level agreement the policy administration for arranging any fund switch instructions will be subject to separate charge.

Figure 4 Example of a document that fails to describe the service and charges effectively

Our Fees

For ongoing Managed Investment Service, our service includes:

- Wealth planning
- Investment management
- Administrative support

And will be charged at 1.25% plus VAT
Please note that material future wealth planning advice in addition to your financial plan may be subject to additional fees that will be stated advance.

The fee includes investment dealing and our underlying research, and resource provides superior outcomes for our clients.

10.8 User propensity to pay ongoing service charges

There is strong evidence to suggest that, once users are made aware of charges, they would be unlikely to terminate the relationship due to the value they place on the service and the trusted relationship with their adviser. This is especially true of longer standing relationships.

Users also tend to perceive the ongoing charges to be low relative to the potential gain that can be made. It is worth noting that these remarks are being made following a period when users have generally received positive outcomes on their investments.

*"If it's going well, then it (*fee*) doesn't bother me."*
(45-60, £100,000 - £249,999, Re-RDR)

"I'm just interested that it makes money. You have to pay a fee. You don't get anything for nothing. I'm not too bothered about the charges if it's making money."
(30-44, £30,000 - £99,999, Pre-RDR)

11 Conclusions and recommendations

Users value and are satisfied with ongoing services and consider these an integral part of financial advice

- Advisers are delivering on the key benefits of ongoing services, that of ‘security’ and ‘peace of mind’. While users do not see much scope for improvement, firms who wish to improve their service should be aware that anything that enhances the personalisation of the service would be highly valued by users.

- Trusted relationships underpin ongoing service arrangements. Once these relationships are established, users are often loath to switch advisers, even for the opportunity of making small financial gains.

- The importance of trust and an open, working relationship cannot be overstated. Advisers have long known this and it has formed a significant, if informal, element of the client service proposition for many years. As the industry moves towards streamlining operational activity and increasing efficiencies this ‘personal’ element of the proposition must not be over-shadowed.

Around two in three advice users receive ongoing services whilst around one in two understand they are paying for this service

- With awareness levels higher in the post-RDR newly advised consumer, it is clear that the regulations have made some impact in improving charging transparency. There remain, however, a sizeable proportion of advised consumers who are unaware and unclear about how their adviser is remunerated for ongoing services. This highlights the need for advisers to do more work in this area, to communicate more clearly and frequently with ongoing serviced clients. As April 2016 and the fund rebate ban looms, the need for advisers to engage effectively with all advised clients they wish to serve on an ongoing basis is intensifying.

- Users mostly accept that there are costs associated with ongoing services and value the ongoing relationship; current costs are generally not perceived to be prohibitive. The research findings should provide confidence to advisers that the great majority of ongoing advised clients will not terminate their relationship based on a move to adviser charging, given the high levels of value ascribed to their adviser relationships.

Advisers should communicate with clarity about their ongoing services, the benefit of these and the value their clients are receiving

- There is scope for advisers to impart more information about what goes on ‘behind the scenes’, in order to increase client understanding of what advisers do on an ongoing basis which in turn will help support the ongoing fees. It will provide reassurance that the client’s portfolio is being continually monitored and adjusted to safeguard their best interests. This is equally the case for advisers that use outsourced investment solutions (i.e. explaining the activities of the expert investment manager who is looking after the portfolio and the benefits of this approach).

- Perceptions of an open channel to their adviser and a prompt response from the latter when needed go a long way towards securing user satisfaction. While advisers appear to be providing this, the importance of this means that advisers should be highlighting their availability for *ad hoc, unrestricted* queries as one of the items included in ongoing services. This will act as a recognisable identifier of ongoing service and help raise awareness and understanding of the more tangible aspects of ongoing service.

- Other elements of the ongoing services proposition that consumers most value and should be highlighted, are:
  - A prompt response. Consumers do not expect their adviser to be 'on call'. However, a response within 24 hours is desirable.
  - Attention to their personal circumstances and objectives, going well beyond the formalised risk profiling /fact finding questionnaires onto an exploration of softer needs and requirements
  - Being proactive by communicating on a regular basis (in addition to the annual review) to 'check in' with the client and ensure no changes have occurred. The expectation is for this to happen once or twice a year.
  - Communicating to explain the possible impact of new legislation etc. However, this needs to be tailored to the consumer. Generic information is not hugely appreciated

- There may be a 'mismatch' between how the industry presents ongoing services and the way users view the service. This may have implications for how the service and fees are communicated. Review meetings should not be positioned as an optional service as this conflicts with users' perceptions of the service. Rather, it should be very clear that ongoing charges cover the work involved in preparing for and running the review meeting and the subsequent implementation of any changes that arise.

- Consumers welcome greater clarity around charges. Therefore consideration should be given to the best time and manner by which to communicate information on fees and charges. Ways to increase awareness of charges may include:
  - Stipulating charges clearly and in writing when the relationship is set up and when any changes to the fees are effected
  - Communicating charges verbally towards the end of the review and subsequently via a dedicated document that is ideally sent to the consumer separately to any other information packs (or as a separate page alongside the review report)
  - Sending annual statements of services delivered and costs incurred
  - Consistently stating the amounts in pounds and pence (not percentages)

There is scope for improving some of the documentation received by advised consumers

- **Terminology**: 'Ongoing services' and "ongoing service fee" are not meaningful terms to consumers. It is best if these are defined and explained and charges are shown in relation to the specific services that they deliver. For example, "Annual charges for managing your investments" or "monthly retainer for investment services" may prove more meaningful and recognisable from a consumer perspective.

- **Optional elements**: Should clearly be highlighted as such, with the associated charge.

- **Volume of paperwork**: There is an overwhelming amount of paperwork related to financial advisory services. Advisers should highlight key documents and/or statements outlining fees to ensure that consumers are better aware of these.

- **Jargon**: It remains important to avoid technical terminology and present service descriptions in plain English.

The positive feedback collected from advice users in this research points to the need to more effectively promote the benefits of using financial advice to the wider market

- The experience of receiving ongoing services is perceived very positively by recipients. This appears at odds with the negative perception of the channel that still pervades amongst many consumers and elements of the media, where the overhang of pre-RDR work practices of some advisers still impacts. There remains a huge need for marketing the benefits of financial advice and improving the profile of the industry in general.

12 Appendix A – Methodological descriptions

12.1 Qualitative Phase

12.1.1 Sample source

Individual participants were recruited by Ardent Fieldwork Recruitment. These consumers were sourced on a free-find basis using a detailed recruitment screener to ensure they matched the profiles sought.

12.1.2 Recruitment process

The team of recruiters worked under the supervision of Vipul Chokshi. Ardent Fieldwork has specific experience of financial services research and of recruitment on a free-find basis. Celia Callus of NMG Consulting conducted a detailed recruitment briefing on 29th August. Recruitment began on 2nd September 2014 and continued until 30th September 2014.

Once the potential participant had been contacted, the recruiter completed a screening interview. The aim of the screening was principally to ensure that the consumer met the profile requirements. These were:

- **All to have used financial advice since 1st January 2013**
- **All to be the main or equal financial decision maker for long term investing and savings**
- **Age**: Younger' 30 – 44, 'Older' 45 – 60, 'Retired' 61+
- **Financial sophistication** – More, Less
- **Level of investable assets**: £30,000 - £99,999, £100,000 - £249,999, £250,000+
- **Regional spread**: Recruiting to achieve a broad geographical spread with depths in the North of England, South of England and the Midlands
- **Review in the last 12 months**: Yes, No
- **Pre and post-**RDR advised relationship: Mix
- **Range of distribution channels:** Mix of bank, IFAs and Restricted FAs *(allowed to fall out naturally at recruitment)*
- **Range of retail investment products:** List of eligible products given by the FCA. A mix of products was allowed to fall out naturally at recruitment.
- **Financial review carried out by telephone or face-to-face**: *(allowed to fall out naturally at recruitment)*

Where consumers were willing to take part in the research and were 'within quota', an appointment for the interview in the participant's home was agreed. This was confirmed in writing (by email or post). Consumers were offered incentives between £50 and £70 in cash to take part in the research.

12.1.3 Sample breakdown

Figure 5 Sample breakdown by age

Invested Assets / Age	£30,000 - £99,999				£100,000 - £249,999				£250,000+			
	Have you had a financial review with your FA in the past 12 months?											
	NO TOTAL A1+A2	No A1	No A2	Yes B	NO TOTAL A1+A2	No A1	No A2	Yes B	NO TOTAL A1+A2	No A1	No A2	Yes B
30 – 44 Younger	6	4	2	5	2	1	1	4				
45 – 60 Older	2		2	4	5	2	3	5	5	4	1	5
61+ Retired	3	1	2	4	4	3	1	5	3	3		2
TOTALS	11			13	11			14	8			7

Figure 6 Sample breakdown by pre vs post-RDR relationship and financial sophistication

Invested Assets	£30,000 - £99,999		£100,000 - £249,999		£250,000+	
	Have you had a financial review with your FA in the past 12 months?					
	NO A1+A2	Yes B	NO TOTAL A1+A2	Yes B	NO TOTAL A1+A2	Yes B
Pre-RDR FA relationship	7	12	6	12	7	6
Post-RDR FA relationship	4	1	5	2	1	1
1)More financially sophisticated	4	4	6	9	4	7
2)Less financially Sophisticated	3	5	2	2		
3) Balanced	4	4	3	3	4	

Key
A1 = Have received advice but have not had an annual review yet
A2 = Have received advice but have declined/not been offered an annual review
B = Have had an annual review in the last 12 months

12.1.4 Fieldwork

64 one-hour depth interviews were conducted using semi-structured interview guides.

Participants were asked to have any documentation that described the nature of their ongoing advisory relationship to hand. This was viewed and discussed during the interview to assess the extent to which the participant was aware and understood what ongoing services they were receiving and the fees they were paying for this.

To facilitate a more accurate assessment of the participants' unprompted understanding of the topic, they were asked complete a 'knowledge quiz' at the beginning of the interview. Further on in the discussion, they were also asked carry out ranking and value attribution exercises to identify which elements of the service were considered most and least helpful.

Participants were recruited according to a number of interlocking quotas (see above) on a free-find basis. These sessions lasted one hour each and were recorded.

All research was conducted by one of a small team of senior qualitative researchers familiar with the UK advice users and pre and post-RDR regulatory frameworks.

12.1.5 Analysis

The analysis combined positivist and interpretive approaches, i.e. analysis based on the evidence of what people said together with interpretation of the underlying meaning and context. It involved some ‘counts’ of the answers to specific questions, grounded theory analysis to develop hypotheses and compare findings from sub cells, together with observation and exploration of the language and stories used by the participants.

Using subgroup analysis, NMG examined whether responses varied according to a number of different variables. Qualitative research allows comparison of responses not only according to pre-defined market or demographic variables but also according to factors which arise through the process of analysis itself.

This facilitates analysis of factors such as gender, age, financial sophistication and investable assets.

Specific differences between subgroups relating to any of these variables, where they arise, are discussed within the body of the report.

12.2 Quantitative Phase

12.2.1 Sample source

Sample was sourced from consumer online panel provider Research Now with whom NMG has worked for several years. Research Now has the largest online panel in the industry with 700,000 opted-in panel members in the UK. Panellists are recruited through a range of methods and sources, ensuring a diverse and representative panel. Research Now regularly monitor and refresh their panel, to ensure its members provide reliable, quality data when completing surveys.

12.2.2 Screening

All respondents were UK residents aged 18 or over and were responsible for making financial planning decisions within their household. Those working in financial services (themselves or any member of the household) were screened out. Those with under £10,000 in invested assets, and those who only held cash based products, annuities or company pensions, on the basis that regulated financial advice would not be in use amongst these groups were screened out.

In order to identify advice users, the following question was used, which defines ‘regulated financial advice’ in consumer-friendly terms, with the added check point that the adviser would have asked several detailed questions. Respondents had to answer ‘yes’ to this question in order to qualify for the sample.

“Regulated financial advice” *has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so that they can recommend products or give you advice that is suitable for you only. A regulated financial adviser would ask several detailed questions about your needs and circumstances, including full details of your income and outgoings, and your existing savings and investments.*

Based on the definition above, have you received regulated financial advice on savings, investments or pensions ***since January 2013****?*

12.2.3 A note on advice type

When asked which type of firm their adviser works for, 27% of the sample said a bank or building society/ insurance or pensions company. This is a slightly higher proportion than expected, as data from NMG's bi-annual Investor Census study amongst a similar sample shows that 24% of advice users have their main relationship with an adviser from these firm types. This increase may be due to a combination of legacy transactions and customer understanding:

- Some are likely to be thinking of a pre RDR product purchase, since discussed with a bank adviser
- Some may be thinking of cash products e.g. cash ISAs, without sufficient understanding that advice on these is not regulated advice.

Even with the above detailed definition of regulated advice and the additional 'questioning' check point, quantitative research is reliant on the consumer's understanding and self-definition, as the survey is unassisted. Therefore the results show that there is still likely a misunderstanding amongst consumers as to what constitutes 'regulated' advice.

12.2.4 Quotas

Quotas were imposed, to ensure that the sample of advice users was representative in terms of wealth level. Target proportions were defined based on NMG data for the advised population and were as follows:

Figure 7 Quotas set for quantitative sample

Investable assets	Target proportion (+/- 2%)
£10,000 - £29,999	20%
£30,000 - £99,999	34%
£100,000 - £249,999	26%
£250,000+	20%

Other factors, such as age, gender and the pre/post RDR relationship split were allowed to fall out naturally.

12.2.5 Sample breakdown

Figure 8 Breakdown of quantitative sample

Age	18 – 34	14%
	35 – 44	22%
	45 – 54	27%
	55 – 64	25%
	65+	11%
Gender	Male	70%
	Female	30%
Invested assets	£10,000 - £29,999	22%
	£30,000 - £99,999	36%
	£100,000 - £249,999	24%
	£250,000+	18%
Type of advice firm	A bank or building society/ insurance or pensions company	27%
	A financial advice firm (including independent and non-independent)	56%
	A firm of accountants or solicitors with a financial services division	5%
	A wealth management firm	10%
	Other/ Don't know	2%
Adviser	Whole of market (selects from all products and providers that are available in the whole market)	56%
	Restricted (offers products from a range of providers that they have selected as being 'best of breed')	26%
	Tied (works for one company and is able to offer the products offered by that company only)	15%
	Don't know	3%
First started using adviser	Before 1st January 2013	70%
	On or after 1st January 2013	30%

12.2.6 Statistical robustness

1,013 respondents were included in the final sample for the survey. The margin of error at 95% confidence level on a sample size of 1,013 is 3.1%. Therefore for any proportion cited in this report which is based on all respondents, 19 times out of 20 the true population value will be at worst 3.1% higher or lower than the value measured from the sample. The error margin is greatest for proportions which are around 50% and decreases to for example +/-1.8% for proportions around 10% or 90%.

12.2.7 Fieldwork

The quantitative fieldwork was undertaken between the 24th September and 7th October 2014. The online survey was built and hosted in house by NMG Consulting. The survey was branded NMG Consulting but respondents were informed that the research was being conducted for the FCA.

NMG Consulting monitored the progress, quota fulfilment and collected the data. All contact with respondents (invitations, reminders, incentive provision) was undertaken by Research Now.

Respondents took on average five minutes to complete the survey.

12.2.8 Incentives

Respondents were incentivised to take part via Research Now's existing points system, with which all panel members would be familiar. Points are awarded based on the length of the survey, promoting quality responses and considered opinions. Accumulated points can be spent with a range of companies including M&S, Argos, Amazon, frequent flyer schemes and hotel chains although many panellists choose to donate their incentives to charity.

13 Appendix B – Additional quantitative findings

13.1 Profile of advice users who *do not* receive ongoing services

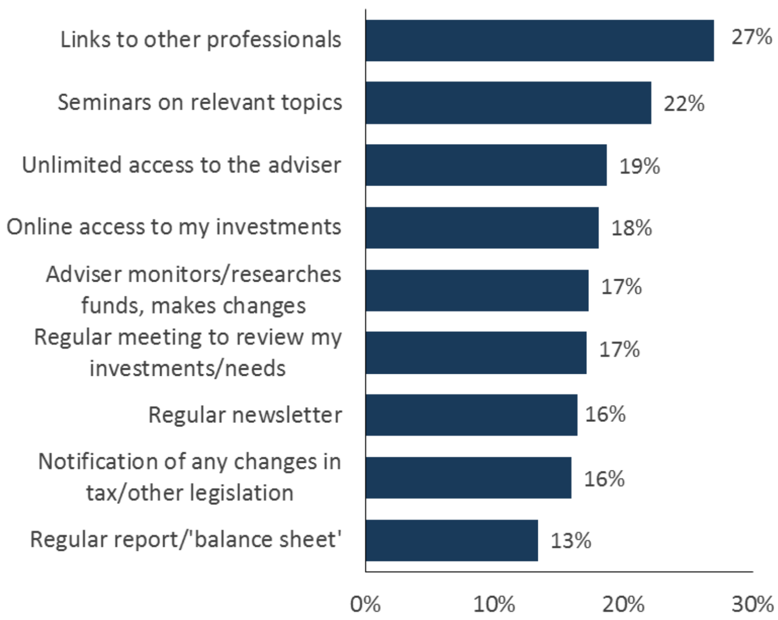
Those who are not taking up regular reviews split relatively evenly between those who were offered a review but actively declined this (48%) and those who were not offered a review by their adviser (43%). The remaining 9% were unsure whether they were offered this service or not.

Looking at the profile of these two groups, those who were not offered a review are less likely to hold higher levels of investable assets (only 7% have £250,000+ compared to 14% of those who actively declined the review). A higher proportion of those not offered a review are retired (9% vs 3%) and fewer of them have children living at home (31% compared to 43% of those who declined the review). Those who declined the offer of a review feel more knowledgeable about their investments - 35% strongly agree they have a good understanding vs only 25% amongst those who were not offered a review.

In terms of the advice relationship, there is no difference in the length of relationship, or the type of adviser used, between those declining a review and those not being offered. The one difference which can be noted is that single-tied advisers are more prevalent amongst the group who were not offered a review (27% believed their adviser to be tied whereas this is only 15% amongst those who declined a review). However it should also be noted that consumer understanding of adviser status may be limited.

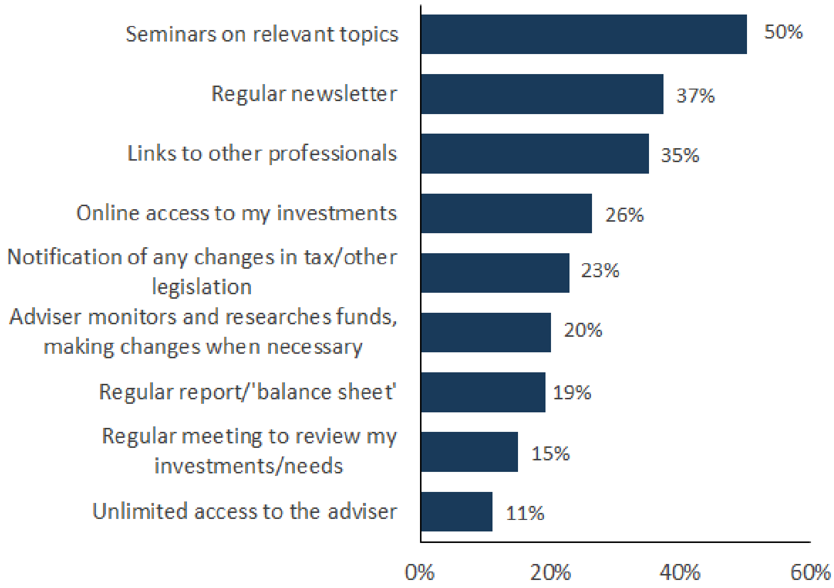
13.2 Additional charts

Chart 9 Elements of ongoing services declined by advice users



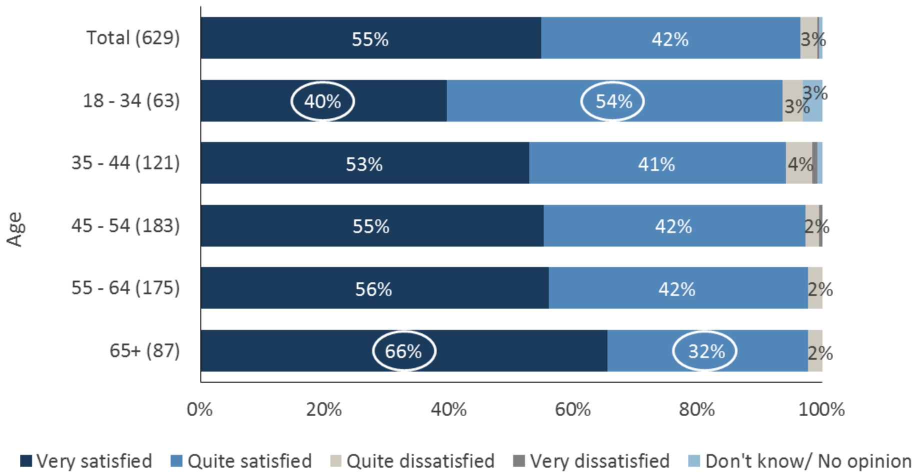
Base: All respondents (1013)
Q11 - My adviser offered this but I did not take it up

Chart 10 Elements of ongoing services not offered by advisers



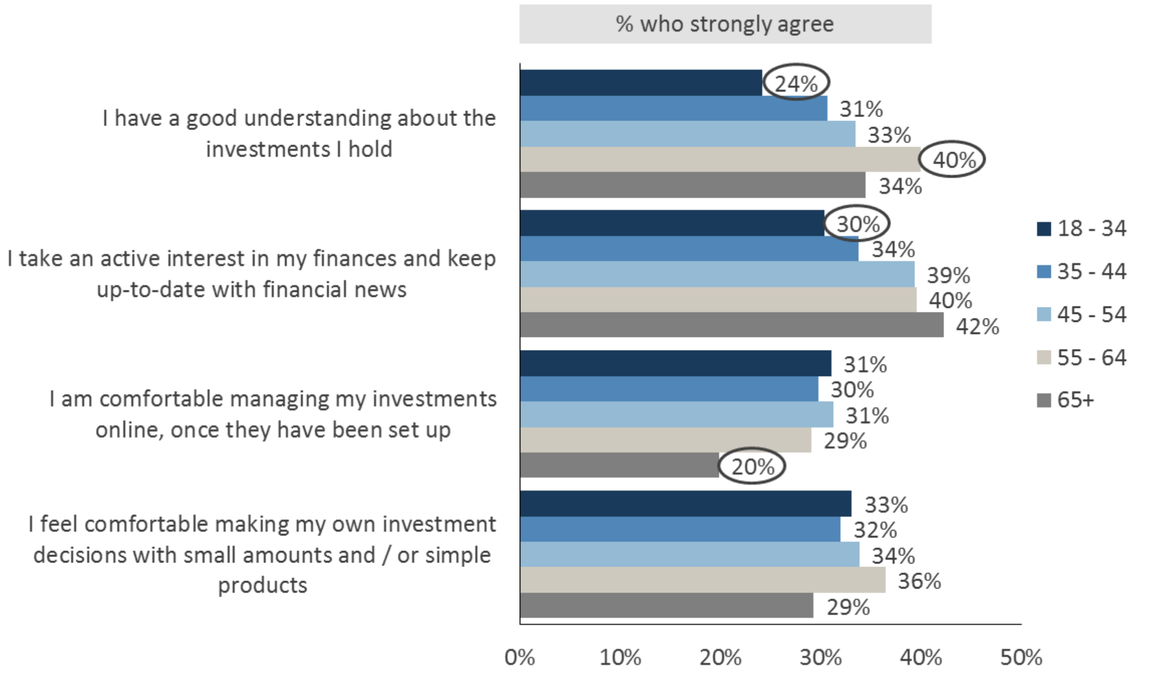
Base: All respondents (1013)
Q11 - My adviser did not offer me this

Chart 11 Satisfaction with ongoing services by age



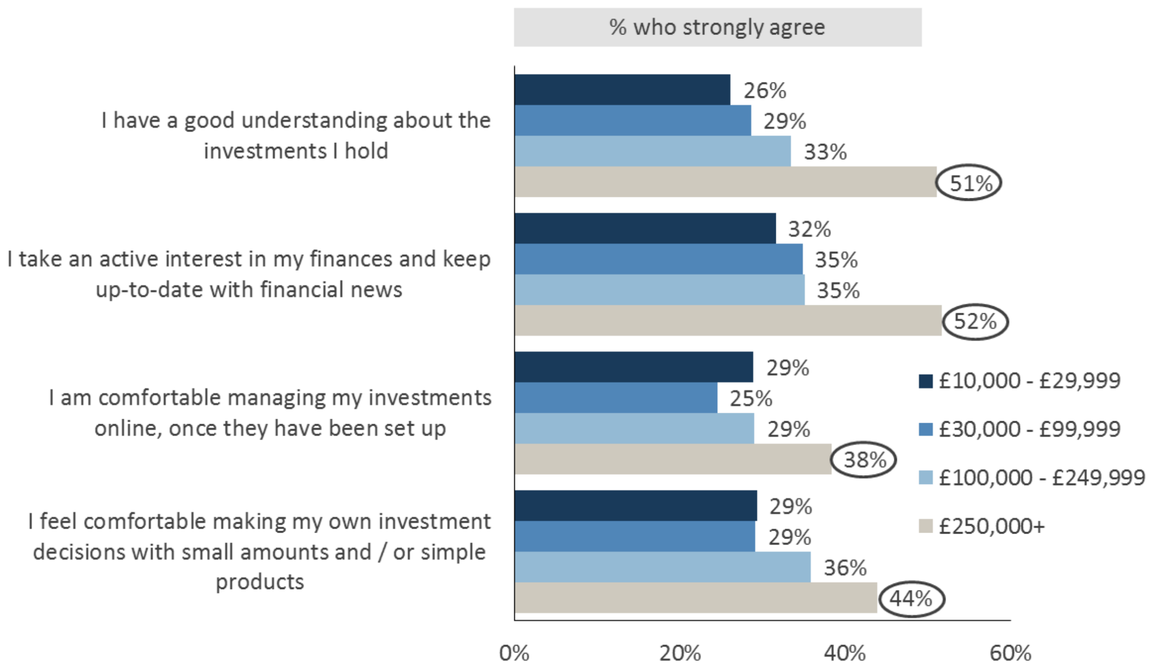
Base: Those taking up a regular review who have received/made use of any ongoing service (see chart)
Q13 Taking everything into account, how satisfied are you with the regular services you have received?

Chart 12 Attitudes towards investing by age



Base: All respondents (1013)
Q16 Please select to what extent do you agree or disagree with the following statements with regards to investing?

Chart 13 Attitudes towards investing by level of investable assets



Base: All respondents (1013)
Q16 Please select to what extent do you agree or disagree with the following statements with regards to investing?

14 Appendix C – Quantitative questionnaire

FCA: Assessment of ongoing services
Questionnaire for quantitative phase – Fieldwork conducted 24 September – 7 October 2014

Sample: Regulated advice users with £10,000+ invested assets (Base: 1,000)

Introduction

We are carrying out a survey on behalf of the Financial Conduct Authority (FCA), which is the UK's financial regulator. The FCA is interested in understanding the way you use professional financial advice in relation to your savings and investments. This will help them ensure consumers can use financial services with confidence and have products that meet their needs, from firms and individuals they can trust.

The survey should take around 5 minutes to complete.

Please answer the questions as openly and honestly as you can.

NMG Consulting is a member of the Market Research Society (MRS) Company Partner Scheme, and so adheres to the MRS Code of Conduct. Therefore, we can guarantee that any information you are asked to provide will remain totally confidential and will be used for these research purposes only.

SECTION 1 - SCREENING

Intro: Firstly we'd like to ask a few general questions about you and your investments / savings.

Q1
What is your age?

RECORD ACTUAL AND CODE TO BANDS
CLOSE IF UNDER 18

Q2
What region do you live in?

North East
North West
Yorkshire and Humberside
East Midlands
West Midlands
East of England
London
South East
South West
Wales
Scotland
Northern Ireland
Channel Islands
Non UK (please specify)
CLOSE IF NON UK

Q3
Do you, or anyone in your household work in any of the following industries?
[M]

Advertising
Computing or Information Technology
Financial Services (including banking, insurance, mortgages)
Media
Retail
None of these

CLOSE IF FINANCIAL SERVICES

Q4
In your household, are you responsible for making financial decisions relating to your investments and long term financial planning?

Yes, solely
Yes, jointly with a spouse/partner
No

CLOSE IF NO

Q5
Which of the following bands do your total invested assets fall into?

By invested assets we mean savings and investments (e.g. cash, ISAs, Unit Trusts/OEICs, Bonds etc.) that you have access to, including any personal pensions where you / your adviser decide which assets / funds to invest in. You should exclude your home, second property or buy-to-let property and any pension arranged via your employer.

Under £10,000 - CLOSE
£10,000 - £29,999
£30,000 - £49,999
£50,000 - £74,999
£75,000 - £99,999
£100,000 - £149,999
£150,000 - £199,999
£200,000 - £249,999
£250,000 - £349,999
£350,000 - £499,999
£500,000 - £999,999
£1 million or more
Would rather not state - CLOSE

Q6
Which of the following investment products do you hold either in your name or jointly with a spouse / partner? [M]

Stocks & shares ISA
Unit Trusts/OEICs (not in an ISA)
Investment Trusts (not in an ISA)
Shares/Equities
Structured products e.g. those that have a variable return based on the performance of the FTSE 100 or other index and where your capital is fully or partly guaranteed
Lump sum investment with a life assurance company e.g. with profits bond
Offshore investments excluding property e.g. offshore bonds
Self Invested Personal Pension (SIPP)
Personal Pension e.g. a pension held in your own name
Company pension scheme / Group Personal Pension
Annuity (purchased at retirement to provide a regular income)
Cash based savings e.g. cash ISAs, bank/building society accounts/bonds or National Savings & Investments
None – CLOSE

CLOSE IF ONLY HOLD CASH, COMPANY PENSION OR ANNUITY WITH NO OTHER INVESTMENTS HELD

Q7
"Regulated financial advice" has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so that they can recommend products or give you advice that is suitable for you only. A regulated financial adviser would ask several detailed questions about your needs and circumstances, including full details of your income and outgoings, and your existing savings and investments.

Based on the definition above, have you received regulated financial advice on savings, investments or pensions **since January 2013**?

Yes
No
Don't know

CLOSE IF NO OR DON'T KNOW

SECTION 2 - Type of adviser

If you have used more than one financial adviser since January 2013, we would like you to think about the **most recent adviser you used/started using.**

Q8
Thinking about the most recent adviser you used, what type of firm does this adviser work in? [S]

A bank or building society/ insurance or pensions company e.g. Barclays, HSBC, Legal & General, Prudential
A financial advice firm (including independent and non-independent)
A firm of accountants or solicitors with a financial services division
A wealth management firm e.g. Towry, Brewin Dolphin
Other (please specify)
Don’t know

Q9
Which of the following best describes your adviser? [S]

An adviser who selects from all products and providers that are available in the **whole market**

An adviser who offers products from a range of insurance companies and investment managers that they have selected as being **‘best of breed’** from all of those that are available to them

An adviser who works for one company and is able to offer the products offered by **that company only**

Don’t know

Q10
When did you first start using this financial adviser?

Before 1st January 2013
On or after 1st January 2013

SECTION 3 – Ongoing services [*NB respondent will not see this title*]

Intro: The next few questions are about the services you receive from your financial adviser. Again please think about the most recent financial adviser from whom you received regulated financial advice.

Q11
We'd like you to think about any services that your adviser provides on a **regular basis** – that is, after they have provided you with their recommended actions and/or arranged an investment for you.

Please read each of the services below and tick the option which applies to your adviser.

COLUMNS/SCALE
My adviser provides me with this / will be providing me with this
My adviser offered this but I did not take it up
My adviser did not offer me this
Don't know

ROWS [RANDOMISE ORDER]
A regular meeting (e.g. annual or bi-annual) to review my investments and needs, with recommendations on any changes. This might be provided face to face, or over the phone.

Notification of any changes in tax or other legislation since the initial recommendation, with advice on **how these affect me** and my investments

The adviser will monitor and research funds and change funds within my investment when necessary

Seminars on relevant topics such as financing retirement or tax planning

A regular newsletter telling me about topical issues, changes in the market, new legislation

Access to view and update my investments myself online

A regular report or 'balance sheet' showing my total income, expenditure and current value of my investments

Unlimited access to the adviser for any questions and queries as and when you need to contact them

Links to other professionals to provide support in other areas (e.g. should you require legal services, tax assistance, healthcare services)

IF ANY SERVICES PROVIDED AT Q11
Q12
Have you received or made use of any of the regular services your adviser provides yet?

Please tick all those you have received.

SHOW LIST OF SERVICES FROM Q11 SIGNED UP TO PLUS:
None of these

IF ANY SERVICES RECEIVED AT Q12
Q13
Taking everything into account, how satisfied are you with the regular services you have received?

Very satisfied
Quite satisfied
Quite dissatisfied
Very dissatisfied
Don't know/ No opinion

IF ANY SERVICES PROVIDED AT Q11
Q14
Do you pay for **any** of the regular services your adviser provides (i.e. LIST THOSE SELECTED)?

Yes – I pay a separate fee for these
Yes – The cost is deducted from the value of my investments
Yes – Adviser is paid by the provider through commission
No – My adviser does not make a charge for any of these
Don't know

If ANY SERVICES OFFERED BUT DECLINED AT Q11
Q15
What are the main reasons you decided not to take up some or all of the regular services your adviser offered? [M]

The services you said you were offered but didn't take up were: INSERT SERVICES OFFERED BUT DECLINED AT Q11

RANDOMISE ORDER

There was no investment purchase involved/recommended when I saw this adviser
The size/ simplicity of my investment(s) means I do not need any regular services
I am happy to monitor my investments myself once they are set up
I had a one off need/ lump sum to invest and just needed the adviser's help with that
I did not want to pay for this / it was too expensive
Just not relevant/ useful to me
Other (please specify)

SECTION 4 – Additional questions for analysis

Q16
Please select to what extent do you agree or disagree with the following statements with regards to investing? [grid]

ROWS:
RANDOMISE ORDER
I have a good understanding about the investments I hold
I take an active interest in my finances and keep up-to-date with financial news
I am comfortable managing my investments online, once they have been set up
I feel comfortable making my own investment decisions with small amounts and / or simple products

COLUMNS:
Strongly agree
Slightly agree
Neither agree nor disagree
Slightly disagree
Strongly disagree

Q17
Which of the following investments, have you set up or added to **since January 2013**?

Please tick all that apply.
[M]

SHOW THOSE SELECTED AT Q6
Stocks & shares ISA
Unit Trusts/OEICs (not in an ISA)
Investment Trusts (not in an ISA)
Shares/Equities
Structured products e.g. those that have a variable return based on the performance of the FTSE 100 or other index and where your capital is fully or partly guaranteed
Lump sum investment with a life assurance company e.g. with profits bond
Offshore investments excluding property e.g. offshore bonds
Self Invested Personal Pension (SIPP)
Personal Pension e.g. a pension held in your own name

None of these

SECTION 5 - Classification

And finally, a few further questions about you, to help with our analysis.

Q18
Are you…?

Male
Female

Q19
What is your working status?

Working full time (30 hours + per week)
Working part time (under 29 hours per week)
Self employed
Unemployed and seeking work
Semi-retired (i.e. you are drawing some income from money you have accumulated during your working life but also working part time in some earning capacity)
Retired (i.e. you are drawing an income from the money you have accumulated during your working life and not carrying out paid work)
Not in paid work due to other reason

Q20
Do you have any children aged 18 or under, living at home with you?

Yes
No

Q21
In which of the following income bands, would you place your total, gross annual **household** income?

Please remember all the answers you provide are confidential.
Under £25,000
£25,000 - £49,999
£50,000 - £74,999
£75,000 - £99,999
£100,000 - £149,999
£150,000 or more
Would rather not state

Q22
Would you be willing to be contacted again, by email or telephone, to take part in further research?
Yes
No

SHAPE YOUR THINKING

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