

Defined Benefit September 23 2019

# PFS warns on abridged advice



Keith Richards, chief executive of the Personal Finance Society

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**T**he Personal Finance Society has warned that introducing abridged advice, as proposed by the Financial Conduct Authority, will increase consumer confusion.

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Keith Richards, the PFS chief executive, told *FTAdviser* that the regulator’s proposal for abridged advice showed it “recognises there is an advice gap and is offering a potential solution to encourage input from the market”.

He said: “However, this middle ground between triage and full

advice on defined benefit pension transfers is likely to confuse consumers about what kind of advice they are getting.”

Abridged advice, first mooted by the FCA in a DB transfer paper in July, is expected to feature an introductory chat with the client, where the adviser can get some high-level information about their circumstances and determine they are not a viable candidate for a transfer.

The result of abridged advice can only be not to transfer, and the adviser is expected to conduct a full fact-find and risk assessment, including an assessment of the client’s attitude to transfer risk in line with the FCA’s guidance on assessing suitability.

But this also means that some consumers may receive a personal recommendation not to transfer without an adviser having to collect detailed scheme data, undertake an appropriate transfer analysis or provide a transfer value comparator.

Baroness Ros Altmann has also warned abridged advice will increase consumer confusion.

Speaking earlier this month at the inaugural *FTAdviser* Financial Advice Forum in London, she noted the new concept “is unhelpful”.

She said: “Why can’t we just have a clear explanation of what the difference is between guidance and advice, so ordinary people can actually understand it.

“How about guidance is the self-service and independent professional advice gives you a personal shopper?”

Many financial advisers have said they won't be offering abridged advice due to concerns it could leave them more exposed to complaints and that they won’t be able to offer the service at the low cost the regulator expects.

Mr Richards argued that over the past two decades, the financial services industry tried to introduce concepts such as simplified, basic or execution-only advice, among others.

He noted that all of these “inevitably failed subsequent scrutiny” and there was evidence from consumer research that the public don’t recognise the difference between different forms of advice

difference between different forms of advice.

Mr Richards added that research published by the FCA in 2018 showed often respondents were not aware of the changes that have taken place in the advice market, and made no distinction between independent and tied advice.

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