MoneyMarketing

FSA clarifies that legacy commission is to be axed

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The FSA has written to trade bodies to clarify that legacy commission will be banned under the RDR.

In a letter sent this week, the regulator also confirmed that trail commission will be allowed to continue, provided that a contract and advice is given before the RDR deadline on December 31, 2012.

The FSA defines legacy commission as additional commission payable under a contract signed before December 31, 2012 but as a result of an event that takes place after that date. The FSA announced its ban on legacy commission in its policy statement on the distribution of retail investments in March 2010.

Forty Two Wealth Management partner Alan Dick says: "What the FSA is trying to do here is ensure that advisers receiving commission are actually providing a service that has been agreed with the client, which is absolutely fair."

But Adviser Alliance founder and director Alan Lakey says: "The regulator cannot see that most advisers deal with ordinary people who are not comfortable paying fees. These people prefer to work on a commission basis."

An FSA spokeswoman says: "We keep up dialogue regarding RDR. In the case of legacy commission, the FSA has reiterated that this commission will be banned after December 2012."