MoneyMarketing

MPs call for one year delay to the RDR

16 July 2011 7:30 am | By Steve Tolley

The Treasury select committee is calling for the implementation of the retail distribution review to be delayed by a year to give advisers extra time to meet the QCF Level 4 qualification requirement.

The committee's recommendation comes in its long awaited RDR report, published this morning, which also calls for a softening of the "cliff edge" cut off date because of concerns experienced advisers will be forced to leave the industry.

Currently advisers will have to reach QCF Level 4 by January 1, 2013 to continue giving regulated advice.

The report says: "We have no wish to alter the qualification requirements, but do wish to allow more time for advisers to reach the required standards. Therefore we recommend the FSA defer the introduction of the RDR by 12 months and temper the "cliff edge" nature of the reforms."

It adds: "In an effort to achieve the legitimate aim of maintaining competition and choice in the advice market, we recommend the FSA consider instituting a process whereby it provides flexibility for advisers on a case by case basis."

TSC member and Conservative MP Mark Garnier (pictured) says it is for the regulator to decide exactly how the "case by case" approach would work.

Association of Independent Financial Advisers director general Stephen Gay says he supports calls for a delay.

He says: "The recommendation to remove the cliff edge date for qualifications, and consider cases on an individual basis has been a key AIFA suggestion, and one which will maintain maximum access to experienced advisers. We hope the regulator responds positively to these sensible proposals."

Cicero Consulting director and chief corporate counsel Iain Anderson says: "I think this could well become a bargaining chip for a wider package of reforms."

However, the FSA says it remains committed to implementation from January 1, 2013.

A spokesman says: "The RDR is a long-running initiative with the first consultation paper published in June 2007. There is clear evidence the industry is well advanced in its preparations with 49 per cent of advisers already qualified and at least 82 per cent expecting to remain as retail investment advisers."

PricewaterhouseCoopers backs the idea of a delay saying it would mean the new regime can start afresh.

PwC director Keith Webb says: "There has been some debate over whether an extra year would help in dealing with qualification top-ups. An overall delay would bring the benefit of allowing everything to transfer to the new regime simultaneously."

Which? says that the FSA should "stick to its guns" over the 2013 deadline saying the majority of IFAs have worked hard to meet it and that the attempts to derail it are those of a vocal minority.

Which? chief executive Peter Vicary-Smith adds: "Delaying the RDR would prolong consumers' exposure to the potentially disaterous effects of poor financial advice. It is vital the FSA sticks to its guns."

The report says the committee recognises the concerns about advisers being able to use passporting to avoid the RDR rules, but adds that evidence given by the FSA suggests that this will not be a problem. It says: "Evidence provided to us by the FSA repays careful study. It makes clear passporting will only be possible in certain areas, and cannot be used by UK operators as a device: 'a firm may not conduct its business on a cross border basis if it is doing so to evade the host state standards'."

Garnier says: "I am not particularly confident of the FSA's claims they will be able enforce their promises on passporting. That is why we have asked them to undertake regular scrutiny of passporting into the UK and report on action it has taken to limit its use to avoid RDR rules."

The report also backs the banning of factoring introduced in the RDR. It says: "This potential bias in the market is at odds with the overall transparency aims of the RDR."

Click here for a full round-up of the TSC's RDR report.