A Guide to the Retail Distribution Review

In this guide we provide a brief overview of the proposals in the Retail Distribution Review (RDR).

What is the RDR?
The Financial Services Authority (FSA) launched the RDR in June 2006 to address the many persistent problems they had observed in what is now, over 21 years of regulation of the retail investment market.

These included product and provider bias, churning of products, lack of access to financial advice and a perceived lack of professionalism within the sector.

Why is it happening?
The FSA have used the RDR to address the root causes of some long-term problems inherent in how the market operates and at the same time to prepare the market for the future. The review has been industry-led, coordinated and driven by the FSA. They have spent two and a half years seeking input from a wide range of industry practitioners, consumer representatives and other stakeholders to get their views on the issues to be addressed and to identify potential solutions.

What are the proposals?
In brief terms the RDR proposes:
- Higher qualification standards for those advisers wishing to continue to practice after 2012.
- Higher professional standards of conduct and ethics and the establishment of a Professional
- Standards Board to oversee and regulate advisers.
- The removal of provider bias or influence over commission. The cost of financial advice services will be agreed between clients and their adviser.
- The demonstration of Independence by Independent Financial Advisers.
- The identification of advisers who work on a 'restricted advice' basis (typically those working for Banks / Building Societies and Insurance Companies).

How does this affect consumers?
The RDR proposals attempt to:
- Increase consumer trust and restore confidence in the delivery of financial advice, thereby encouraging consumers to seek financial advice.
- Increase the transparency of adviser charges and separate them from provider charges, so that consumers can establish what charges are being paid for advice and what the provider charges for its products.
- Remove any provider bias or influence payment to advisers in any way.

How has Loughtons responded?
Whilst some advisers and firms have had a 'head in the sand approach' Loughtons began transitioning it's business and services to clients to meet and exceed the demands of the RDR in 2007, well ahead of the deadline for implementation on the 1st January 2013. For example, all of our advisers are already qualified beyond the minimum level outlined under the new proposals (QCF Level 4).

Although these changes are proposed by the Government and the FSA, we wholeheartedly support them as we feel they are good for our clients, ourselves and financial planning as a whole.

We continue to put our clients first. At the core of our interaction with our clients is a desire to:

- Employ our hard-earned technical knowledge to help clients make the most of their resources.
- Help our clients draw on our experience and help them to avoid making costly financial mistakes.
- Exercise our market knowledge to help clients choose the best way to achieve their financial goals.
- Apply our problem-solving skills by finding ways to resolve competing financial and personal priorities.
- Share our life experience in advising clients on matters which may be more to do with life in general than money in particular.
- Demonstrate our confidence with financial matters to help our clients re-engage with their budgeting and their long-term financial and life planning.

If you wish to make a positive difference to your finances, please feel to **call us** on **01626 833225** to find out more.
