



**Unite response to FSA Consultation Paper 09/18
Distribution of retail investment: Delivering the RDR**

This response is submitted by Unite the Union. Unite is the UK's largest trade union with 2 million members across the private and public sectors. The union's members work in a range of industries including financial services, manufacturing, print, media, construction, transport, local government, education, health and not for profit sectors.

Unite is the largest trade union in the finance sector representing some 150,000 workers in all grades and all occupations, not only in the major English and Scottish banks, but also in investment banks, the Bank of England, insurance companies, building societies, finance houses and business services companies.

Executive Summary

- **Timescales for implementation remain unclear;**
- **No sign of what gaps in knowledge will need to be filled under new proposals;**
- **Unsure what changes to existing programmes will be required and how this will impact on Unite members providing advice;**
- **Concerns over a reduction in funding for training in the finance sector;**
- **Imperative that investment advice and the products sold are done so in the best interests of consumers needs;**
- **Unite would wish to ensure that training at all levels is provided to enable the workforce to deliver high quality advice and guidance to consumers;**
- **Employers must ensure that an appropriate budget for skills and training is in place to enable the workforce to deliver the level of service demanded by consumers.**

Introduction

1. Unite is pleased to respond to the FSA consultation paper on delivering the Retail Distribution Review (RDR) and welcomes many of the proposals outlined including moving from commission based selling and a proactive approach to professional development. Unite highlighted these issues, as well as ethical issues, as an important factor in the employment decisions made by employees in taking up employment in its response to the FSA discussion paper 07/1 in December 2007¹.
2. However Unite has concerns over the timescale put forward for implementation of the new independent standards. Despite early discussions taking place surrounding the RDR, there is still no sight of clear qualification paths being made available until mid 2010. This leaves a period of less than two and a half years for advisers to reach the relevant standards.
3. Unite accepts that there are a number of advisers who already hold Level 3 qualifications, however, there is also little sign of what gaps will need to be filled to ensure they are fully competent to professional levels under new proposals. This is a major concern for Unite members as it is likely to be some time in 2010 when they will be made aware of the content they should be looking to study to ensure they are raised to the appropriate standard.
4. Despite the proposals laid out in the RDR, Unite is also unsure what changes to existing programmes will be required and how this will impact on Unite members providing advice. It is also unclear for Unite Union Learning Representatives, who are actively engaged in promoting learning in the workplace, to know which programmes should be promoted to colleagues as neither the employers nor the FSA appear confident at this stage what programmes will be made available and what the courses are likely to contain.
5. It is further evident that there may be funding implications, with Unite having anecdotal evidence of companies pulling back on training costs. With the obvious underlying and unquantifiable cost implications of introducing regulatory training at a very late stage and no obvious budget to deliver the training, this is likely to impact significantly on training delivery.
6. On a more general note, Unite welcomes the Unit 8 section of the National Occupational Standards for Financial Advice and Planning which reinforces personal and professional development as part of the standards. However there are limitations to this if advisers are kept in

¹ <http://www.dodsdata.com/Resources/epolitix/Forum%20Microsites/Amicus-Unite/FSA%20Retail%20Distribution%20Review%20final%20submission%202007.pdf>

the dark to the very last possible moments by key agencies as to what exactly they are required to know as part of the professional standard.

Consumer interests

7. It is imperative that investment advice and the products sold are done so in an unbiased way, are in the best interests of consumers needs, and that ethical behaviour is at the heart of the advice given.
8. Unite therefore supports the proposals for a Code of Ethics which will instruct all behaviours and decisions reached when financial advice is provided to consumers. This would appear to be paramount.
9. However, one could be naive in assuming that all finance sector companies would always have their clients' best interests in mind when making recommendations for specific products or services. Indeed, the FSA's Treating Customers Fairly (TCF) principles were instigated to ensure that this process was carried out and monitored and would go on to form part of the auditing process.
10. However, Unite is aware of situations whereby this has not always been the case, as a recent survey conducted by our sister organisation the Irish Bank Officers Association (IBOA) found. The IBOA survey found that employees were placed under pressure to reach targets on selling products rather than addressing the concerns of consumers.² This survey raises issues over consumer confidence in the finance sector's ability to deliver appropriate advice and guidance and on issues of motivation and morale among the workforce to deliver on targets.
11. While the IBOA represents members in the Irish Republic who deliver advice to Irish consumers, Unite believes that the FSA must not be complacent in assuming that such behaviour may not take place in the UK.
12. Unite therefore supports the proposals put forward in section 4.5 that it is the service provided to the client that the changes to the charges structure would reflect, not the particular product provider or product. This would remove the pressures placed on our members to push specific products to reach targets and to attain performance measures.
13. Therefore, while these proposals are to be welcomed, Unite seeks assurance that the FSA will carefully monitor and scrutinize these proposals to ensure that they are adhered and conform to the principles set out in the FSA TCF principles.

² Access the results at: <http://www.uniglobalunion.org/Apps/iportal.nsf/pages/homeEn>

Skills and training

14. The changes proposed, which include moving from a product based charge to a service based charge, will require a review of the training and skills sets of workers in the sector to ensure they are fully competent to carry out the requirements of the role. The skills required to deliver a competent level of service may vary from the set of competencies necessary for quantitative selling. Unite would wish to ensure that the relevant training is provided to enable the workforce to deliver high quality advice and guidance to consumers.
15. The most recent National Employers Skills Survey (NESS)³ is the 2007 survey which shows that employers need to address fundamental issues of skills gaps in the sector. The survey found the nature of the skills gaps in financial services included:
- 51% in customer handling skills;
 - 51% in oral communication skills;
 - 27% in management skills;
 - 19% in literacy skills;
 - 11% in numeracy skills.
16. From these figures it is evident that some employers are failing to provide adequate training in key areas. While the focus in this CP is on high level skills it is evident from the NESS survey that the sector also has a skills gap in basic skills which needs to be addressed. The shift from a focus on charges based on selling to service based charges contained in the paper may also require improvements and re-training in soft skills including oral communication and customer handling skills.
17. Further evidence from NESS 2007 shows that prior to the main impact of the financial crisis being felt by employers in the sector, total training expenditure within the finance sector was down 26% from the figures in 2005.⁴
18. The FSA should ensure that the focus to deliver qualified financial advisers is not lost on the need to ensure skills are delivered which enable workers in the sector to engage with customers at a fundamental level.
19. The 2008 NESS survey is presently underway and Unite waits with interest to find out if training expenditure remains on a downward track or, as is hoped, employers recognise that maintaining an appropriate budget for skills and training is vital to ensure the workforce is equipped to deliver the level of service demanded by increasingly financially aware consumers.

³ 2007 National Employers Skills Survey

⁴ Ibid.

20. To this end Unite remains committed to the introduction of mandatory annual skills audits to be undertaken by employers to ascertain present and future skills needs and to identify training priorities within the workplace. This could be monitored with the assistance of the Financial Services Skills Council. Unite is keen to work with the FSSC and employers to deliver the skills the finance sector needs to ensure a successful future. Unite would welcome employer buy-in to the Sector Skills Agreement (SSA) for financial services and in particular the Trade Union Action Plan which is incorporated into the regional SSAs for Scotland, England, Wales and Northern Ireland.⁵
21. The proposals outlined in this consultation paper and the strengthening of the processes required to provide accurate, unbiased advice while primarily driven to ensure the best interests of consumers are addressed, may also help to create a less aggressive sales driven and more service focused atmosphere for our members in the sector and Unite would welcome this.

Rob MacGregor
National Officer

Cath Speight
National Officer

For further information on this submission please contact:

Liz Cairns
Research Officer
Unite the Union

Elizabeth.cairns@unitetheunion.com

0141 404 1879

October 2009

⁵ http://www.fssc.org.uk/343_17.html?i=2