

Consumer
Research

78

Financial Services Authority

*Describing advice
services and adviser
charging*

Prepared for the
Financial Services Authority
by IFF Research

June 2009



Describing advice services and adviser charging

Research report prepared for the Financial Services Authority by IFF Research Ltd

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Acknowledgments

The research project was carried out on behalf of the FSA by IFF Research.

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Copies of the report can be downloaded from the publications section of the FSA website -

<http://www.fsa.gov.uk/Pages/Library/research/Consumer/index.shtml>

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Executive Summary

The Financial Services Authority (FSA) launched its Retail Distribution Review (RDR) to address issues which have led to insufficient consumer trust and confidence in the products and services – principally investment advice – supplied by the financial industry.

The FSA commissioned this research study to explore options for improving the way in which advice services are described and presented to consumers. The research was designed to address two of the principal aims of the RDR: to help consumers understand the nature of the advisory service offered and to help them understand the cost of the advisory service. The following research programme was designed with these two aims in mind:

- **Developmental stage:** Consisting of three focus groups amongst a range of recent and future investors. The purpose of these groups was two-fold: to test whether the advice labels contemplated by the FSA were understood and worth taking forward into Element 1; and to see whether consumers could suggest any new labels that the FSA had not thought of, which could be included in Element 1.
- **Element 1:** Consisting of a total of 30 face-to-face depth interviews with recent and future investors to explore ways to help consumers understand the broad nature of the service offered through the use of labels. Of these interviews, 24 were with 'mass market' consumers and six with High Net Worth Individuals (HNWIs). The mass market consumers saw six labels, whereas the HNWIs saw a total of ten labels (the same six as the mass market consumers plus four additional labels).
- **Element 2:** Consisting of 36 face-to-face depth interviews with recent and future investors to test consumer understanding of disclosure on adviser charging with respect to pre-transaction disclosure (e.g. price lists) and mid-transaction disclosure of the advice charge, particularly in terms of recognising that advice is not a free service.

Developmental stage and Element 1

The developmental stage and Element 1 were designed to explore ways to help consumers understand the broad nature of the service on offer, for example through the use of labels and negative disclosure. This research highlights the challenges for the FSA in seeking to develop a simple labelling system for independent and non-independent advice. The developmental stage and the depth interviews with both mass market consumers and HNWI's consistently showed that the same label means different things to different people. This suggests that a label on its own is unlikely to be an effective way to inform consumers about the service they are getting.

The research was not able to identify one clear stand-out label that was highly effective in communicating the restricted nature of non-independent advice. However, 'restricted advice' and 'tied advice' were the most effective of the options tested, based on the results of spontaneous and prompted testing. While in prompted testing, respondents identified 'non-independent advice' as being the most effective, their spontaneous responses suggested that restricted advice was more effective than non-independent advice in highlighting the key distinguishing feature of non-independent advice – that it is in some way restricted.

The research showed that consumers responded well to descriptions of independent and non-independent advice and short one sentence statements (positive and negative disclosure)¹ explaining that non-independent advice covers a limited range of products only. Respondents generally found these more informative and helpful than a label, commenting that it was easier to understand when things were spelt out more clearly with less left to interpretation. This suggests that a label used together with additional supporting information is likely to be more effective in helping consumers understand the service than a label on its own, for example: "I provide non-independent advice - I offer advice from a limited range of companies" In terms of what additional supporting information might be useful, the research also showed that respondents preferred positive disclosure over negative disclosure as it was considered honest and 'to the point' and it told them what they would get, rather than what they would not get.

¹ Disclosure is a transparent and clear way of describing the level and type of service offered by an adviser. Positive disclosure explains what is offered and negative disclosure explains what is not offered.

Perhaps unsurprisingly, the labels identified as being effective also tended to be viewed in a negative light by respondents. This suggests that there may be a need to balance the possible negative effect of the label, so that it is not misinterpreted, by providing additional information that helps consumers better understand what the label means in the context of the service being offered. Again, this suggests that a label will need to be accompanied by additional information which provides context and helps clarify what the label means in terms of the service the particular adviser is offering.

Element 2 – pre-transaction

The pre-transaction disclosure, in the form of price lists, was of interest to all and the general view was that the more information that could be provided by advisers the more likely they would be to use the document to purchase advice.

There were varying reactions to and understanding of the three pre-transaction documents shown. Overall, document A (Shows a breakdown of advice charges by type of service sought) was the preferred choice of around half of the respondents, with the remainder equally split between documents B (Shows a breakdown of advice charges by different types and levels of advice services available) and C (Shows a breakdown of the initial and ongoing advice charges). This pattern was repeated with respect to the document they would be most likely to use. Reasons given for the preference for document A centred around the way it itemises and provides simple descriptions of the advice options available.

The respondents had similar views on how they would use their preferred document, which was the same across all of the three pre-transaction documents and all respondent types. Most said they would use the document to compare the cost of advice from different advisers and/or to initiate a discussion with the adviser.

Respondent understanding of the information contained in the three documents was tested in each case by asking them to calculate the fee they would be charged for a specific advice service assuming they were investing £10,000. The level of correct answers given was consistent across all three documents, i.e. no document stood out as being significantly better at communicating the advice costs. Only ten respondents (six recent purchasers who sought advice, two recent purchasers who did not seek advice, and two future purchasers) achieved a correct answer in all three tests of understanding. This indicates that most people had some difficulties in interpreting advice charges.

Element 2 – mid-transaction

The mid-transaction disclosure concept was of interest to almost everyone. In general, the respondents wanted to know what they are getting for their money and how much they are paying. The one respondent who wasn't interested in the concept felt that this type of information should be provided before the advice is given rather than afterwards.

The reactions to and understanding of the two mid-transaction documents were more polarised. Document E was the preferred choice of the majority (25 out of 36) and this pattern was repeated in terms of the document they would be most likely to use. The reasons given for this preference were strongly centred upon the fact that document E uses monetary figures (cash terms) rather than percentages. Of those that preferred document D some mentioned that it gave more options of how to pay (i.e. it shows two alternative instalment payment options) while a couple said they preferred percentages in financial documents.

Respondent understanding of the information contained in the two mid-transaction documents was tested by asking how much the advice in the document would cost per month if paying by instalments and the total cost of advice. Document E was very well understood with 30 out of 36 respondents being able to find the correct answer. Document D was less well understood although 20 of the 36 respondents were still able to find the correct answer.

Document E is therefore stronger on both preference and understanding, both of which are influenced by its use of monetary amounts rather than percentages.

1 Introduction and background

The FSA is the regulator for the UK's financial services sector. To fulfil its statutory objectives the FSA has set out three strategic aims:

- promoting efficient, orderly and fair markets;
- helping retail consumers achieve a fair deal; and
- improving its business capability and effectiveness.

The FSA launched the Retail Distribution Review (RDR) in June 2006 to address the persistent and longstanding problems that have been encountered in the market for the distribution of retail investment products and services over more than 20 years of regulation. The RDR is one of the core strands of the FSA's overall retail market strategy, complementing its Treating Customers Fairly and Financial Capability initiatives.

The aim of the RDR is to address issues which have led to a lack of consumer trust and confidence in the products and services – principally investment advice – supplied by the market and to ensure that firms deliver fair outcomes for consumers by finding solutions that are attractive both to consumers and to firms. In particular, many investment products have complex charging structures and it is often not clear how benefits accrue to consumers. Consumers purchase financial products relatively infrequently and so have little past experience to guide future decisions. Consequently, many consumers rely heavily on advisers through whom retail investment products are sold.

The RDR covers the distribution of retail investment products and services by any regulated entity, including banks, building societies, insurers, fund managers and financial advisers.

Over the past two and a half years, the FSA has sought 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.

The FSA's Feedback Statement, published in November 2008, outlines three measures that the FSA deems central to delivering the market outcomes that the RDR set out to achieve and which will improve the interactions between consumers and the industry. These are to:

- improve the clarity for consumers of the characteristics of different service types and the distinctions between them;
- raise professional standards; and
- reduce the conflicts of interests inherent in remuneration practices and improve transparency of the cost of advisory services.

The Feedback Statement proposed a new regulatory landscape distinguishing between (a) investment advice that is truly independent and (b) non-independent advice, or 'sales services'. Under the proposed new requirements, independent advisers must provide unbiased, unrestricted advice which is free from outside influence and which is based on a comprehensive and fair analysis of relevant markets. Non-independent advisers, on the other hand, are restricted in the advice they can provide and hence the products they can recommend.

The Feedback Statement also included new requirements stating that product providers could no longer influence the remuneration of intermediaries through the use of commission and that they should set their own charges for advice. However, product providers will be permitted to facilitate payments to advisers through the customer's product or investment. In order that customers understand clearly the different services being provided and recognise the value of advice, the FSA will have to consider how intermediaries describe their services and explain their remuneration to clients.

This research was commissioned by the FSA to explore options for improving the way in which advice services are described and presented to consumers.

2 Research objectives

In the November 2008 RDR Feedback Statement, the FSA stated its intention “to conduct consumer research to explore options for improving the way in which services are described and presented to consumers”². This research study addresses two of the principal aims of RDR: to help consumers understand the nature of the service offered and to help them understand the cost of the service. A two-stage research programme was designed with these two aims in mind:

- **Element 1:** Research to explore ways to help consumers understand the broad nature of the service offered through the use of labels; and
- **Element 2:** Testing consumer understanding of disclosure on adviser charging with respect to pre-transaction disclosure (e.g. price lists) and mid-transaction disclosure of the advice charge, particularly in terms of recognising that advice is not free.

The objectives were as follows:

- **Element 1:** to assess the effectiveness of labels in helping consumers distinguish between independent and non-independent advice:
 - to test various labels to determine which are best at communicating intended messages; and
 - to explore whether negative disclosure would provide improved clarity for consumers.
- **Element 2:** to gauge whether customers could benefit from the increased transparency and easier access to the cost of advice, with respect to disclosure on adviser charges at two separate stages in the process:
 - **pre-transaction:** to test the effectiveness of price lists to which consumers will have access before they choose their adviser, specifically to gain a better understanding of what kind of price list formats can be understood by consumers and whether this understanding could encourage them to shop around; and

² www.fsa.gov.uk/pubs/discussion/fs08_06.pdf

- **mid-transaction:** to test consumer understanding of documents which could potentially be given to consumers mid-way through the transaction to understand the best format to communicate: (a) that the advice is not free; (b) how much the advice will cost; and (c) the cost of advice may vary depending on how they choose to pay for the advice.

3 Methodology

A face-to-face qualitative research methodology was considered to be the most appropriate for both elements of this study. Qualitative research was considered to be the best approach principally because the discussions needed to cover individual understanding of, and responses to information related to, financial advice and therefore benefited from an in-person depth interview approach. This reduced the possibility of misunderstanding and ambiguity and helped facilitate a rapport between respondent and interviewer. The qualitative approach enabled the research to explore the issues in depth and in the context of 'real-life' experience. Individual interviews were considered more appropriate than group-based discussions, as this more closely reflects the way in which consumers generally engage with financial products and services.

However, prior to this, an initial development phase was undertaken with two broad aims:

- to give consumers the opportunity to spontaneously come up with labels for non-independent advice which could be tested during Element 1 of the study; and
- to test possible FSA-devised labels for non-independent advice with the aim of choosing the most appropriate labels to carry forward to Element 1 of the study.

This initial development phase consisted of three discussion groups, each with nine participants. The groups were conducted on 21 and 22 January 2009, with two taking place in London and one in Birmingham. The groups were structured so one consisted of future purchasers, one consisted of recent purchasers who sought financial advice and the remaining group consisted of recent purchasers who did not seek financial advice (a more detailed explanation is provided overleaf).

The main stage of research consisted of 66 face-to-face depth interviews as follows:

- **Element 1:** 30 face to face interviews
- **Element 2:** 36 face to face interviews

The 66 interviews were deemed to be sufficient as the purpose of qualitative research is not to produce statistically robust findings but rather to explore the motivations, understanding and behaviour present within the target audience. Therefore qualitative samples are smaller and designed to include the sub-groups within the target audience rather than statistically represent the target audience. The number of interviews achieved enabled a good understanding of the topics covered and any additional interviews were unlikely to provide any new information. Interviews were distributed evenly across three UK locations: London, Birmingham and Manchester.

The fieldwork took place between 2 February and 26 February 2009. Participants were split into four separate categories as defined in Table 1 overleaf.

Table 1: Sample - respondent categories

	A: Recent purchaser; sought advice	B: Recent purchaser; did not seek advice	C: Future purchasers	D: High Net Worth Individuals
Previous Purchasing	Have purchased an investment product in the last three years	Have purchased an investment product in the last three years	Have not purchased an investment product in the last three years	Purchased an investment product in the last three years
Advice	Sought financial advice in doing so	Did not seek financial advice in doing so	N/A	Employ a Wealth Management Service
Future Purchasing	Intend to purchase another investment product in the next three years	Intend to purchase another investment product in the next three years	Intend to purchase an investment product in the next three years	Intend to purchase an investment product in the next three years
Advice	Do not reject the possibility of seeking financial advice when purchasing this future product.	Do not reject the possibility of seeking financial advice when purchasing this future product.	Do not reject the possibility of seeking financial advice when purchasing this future product.	N/A
Income and/or assets	N/A	N/A	N/A	Income before tax of £100,000 and/or net assets in excess of £250,000

Element 1

In total, 30 depth interviews were conducted in Element 1, including six with HNWI's. Table 2 shows the full breakdown by geographic region and respondent category.

Table 2: Element 1 respondent profile

Location	A: Recent purchaser; sought advice	B: Recent purchaser; did not seek advice	C: Future purchasers	D High Net Worth Individuals	Total
London	3	2	3	6	14
Birmingham	2	3	3	0	8
Manchester	4	1	3	0	8
Total	9	6	9	6	30

Element 1 interviews lasted on average one hour.

The approach to Element 1 addressed the following areas, as specified in the brief:

- perceptions of different labels (for non-independent advice);
- the expectations about the service designated by different labels;
- which labels best communicate the intended messages; and
- whether some form of negative disclosure might be effective.

The interviews were based around respondents' reactions to a number of labels or descriptors for non-independent advice. The labels were printed on show cards so that respondents had a visual point of reference, important when comparing and contrasting the labels and their perceived messages.

Labels were tested 'cold' in the first instance in order to establish respondents' initial reactions to them and the reasons or associations that provoke these reactions. The interviews also explored perceptions regarding the type of service that might be provided by such an adviser. This was important in understanding whether or not respondents found the service appealing and were likely to use it.

Respondents’ reactions to the FSA’s descriptions of independent and non-independent advice, based on the RDR proposals, were also explored in order to gauge their understanding of such terms and to explore the extent to which this would play a role in their decision to use a service.

Spontaneous assessment of the labels was followed up by prompted testing to identify the extent to which respondents felt each label described independent and non-independent advice (using the FSA descriptions) and to explore the reasons why they were perceived to (or not to) do so.

The interviews also explored responses to statements concerning non-independent advice to assess the effectiveness of negative disclosure.

Element 2

This element comprised of 36 in-depth interviews distributed across the three geographical locations and three respondent categories as shown in Table 3.

Table 3: Element 2 respondent profile

Location	A: Recent purchaser; sought advice	B: Recent purchaser; did not seek advice	C: Future purchasers	Total
London	5	2	5	12
Birmingham	4	3	5	12
Manchester	3	4	5	12
Total	12	9	15	36

The interviews lasted on average an hour but varied quite considerably in line with respondents’ experience of seeking investment advice and their familiarity with material outlining charging structures for services.

A total of five transaction documents were tested: three pre-transaction documents and two mid-transaction documents. The documents were tested ‘cold’ in order to gain a spontaneous reaction; this was followed up with prompted testing in order to obtain a complete picture of the documents’ likely impact and the respondents’ preference.

In both the pre-transaction and mid-transaction stage, respondents were presented with the documents individually and given a few minutes to review them. They were then asked a number of questions to gauge their level of understanding of the content, the extent to which they felt it enabled them to make an informed decision about taking up the service (for the pre-transaction document) and to identify their preference and to explore the reasons behind this preference.

All stimulus material was produced by the FSA and is included in the appendix to this report.

4 Initial development stage: discussion groups

Background

The initial development phase was undertaken with two broad aims:

- to give consumers the opportunity to spontaneously come up with labels for non-independent advice which could be tested during Element 1 of the study; and
- to test possible FSA-devised labels for non-independent advice with the aim of choosing the most appropriate labels to carry forward to Element 1 of the study.

In total, three discussion groups were conducted within the following three segments:

- recent purchasers who sought advice;
- recent purchasers who did not seek advice; and
- future purchasers.

Each group had nine participants and – with the exception of future purchasers – the participants tended to have a variety of investment products such as equity ISAs, and personal/private pensions.

When asked about their financial knowledge, most participants indicated that they had a reasonable knowledge, although the future purchasers considered their financial knowledge to be slightly lower than those in the other groups.

“Three or four [out of ten], I don’t enjoy it, I just want to get it over and done with, I don’t like reading the financial terms.”

Future purchaser

The most knowledgeable group were those who had bought an investment recently and used advisers.

Those who had not used financial advice in the past tended to seek financial information from a wide range of sources, including the internet and financial sections of newspapers. Other sources mentioned included obtaining advice from friends and family and the emphasis was placed on doing their own research as opposed to going to a financial adviser and seeking advice that way.

Financial advisers were treated with an element of suspicion by all three groups, especially recent purchasers who had not used financial advice:

"I don't know how they get their money. I don't know how they stay afloat, because everybody has got access to the same rates and packages. You just wonder, if they've all got the same, they must be creaming something off because you've got the same information that they've got."

Recent purchaser; did not seek advice

Some respondents questioned the motives behind the advice given, especially in relation to commission and concerns over the mis-selling of investment products. This element of suspicion meant respondents considered recommendations from family or friends as a key factor when deciding to use an adviser.

Key findings

In all three focus groups independent and non-independent advice were mentioned spontaneously by respondents in initial discussions before any of the 'brainstorming' exercises took place. This suggests that this distinction is something that is in their thought process before they consider taking financial advice.

Future purchasers and recent purchasers who sought advice initially felt that they understood the distinction between independent and non-independent financial advice but on discussing it further, started to question their understanding.

"When you start to analyse the true meaning of the word 'independent' it does start to be a bit more vague, really, because financial advisers are all getting kickbacks off one company or another. I don't think you could ever be confident that they would be truly independent."

Recent purchaser; sought advice

There was some confusion over non-independent advice. Many initially thought it would only apply to people working directly for banks or providers:

"They would be under the umbrella of a bank so all the products [they would advise on] that a bank offers"

Future purchaser

Upon being shown the FSA's descriptions of independent and non-independent advice all groups agreed with the descriptions. In all three groups, the majority of respondents stated that they would rather seek the advice of an independent financial adviser. It was felt that those who sought advice from a non-independent adviser would be someone who is a first time buyer and isn't very financially aware. Once again suspicion concerning commission was aroused when referring to non-independent advice:

"If they've got one product, they aren't going to push you towards a product which gives them a fairly poor commission."

Recent purchaser; sought advice

This led some to ask why anybody would want to go and see a non-independent financial adviser, especially as it was felt that an independent adviser would cover a wider range of products and services.

Many of the possible FSA labels for non-independent advice were mentioned spontaneously during the initial brainstorming exercise, suggesting that these labels were appropriate to test during the main stage of the research. All labels spontaneously brought up in the groups are shown in the table overleaf.

Table 4: Spontaneous labels generated in group discussions

Recent purchasers who sought advice:	Recent purchasers who did not seek advice:	Future purchasers
Biased	Biased	Biased
Limited	Limited	Limited
Restricted	Restricted	Restricted
Affiliated	Affiliated	Corporate
Tied	Specialist	Tied
Un-tailored	Knowledgeable in a particular area	Tailored
Financial product adviser	Linked	Broker
Weighted advice	Facilitators	Agent
Non-personal	Mis-selling	Single Range
Self-fulfilling	Non-adviser	Umbrella
Financial sales adviser	Wizard	Consultant
In house	Non-independent	

Interestingly, many of the labels suggested were negative concepts. The terms ‘biased’, ‘restricted’ and ‘limited’ were mentioned spontaneously in all three groups during the exercise.

‘Affiliated’ was mentioned in two groups and ‘limited advice’ was mentioned in all three. Both of these labels were subsequently included in the main stage of research (Element 1).

In addition to the brainstorming exercise, a label sorting exercise was undertaken with all respondents. The aim of the exercise was to sort various labels under the headings of independent advice, non-independent advice or either. This demonstrated that many of the labels were viewed to be ambiguous when discussed openly within the group. Many felt that if the label related to independent or non-independent advice then that this term should be included in the label:

“I’m saying that they couldn’t be independent because they are not actually specifying that they are independent. If they are independent, then the word should be in there”

Recent purchaser; sought advice

Some felt it was obvious where the labels fitted and others disagreed, seeing things from a different point of view. All groups had an open discussion about where the labels should fit.

Table 5 shows which FSA labels were agreed by the majority of respondents to describe non-independent advice.

Table 5: Labels felt to describe non-independent advice

Recent purchasers who sought advice:	Recent purchasers who did not seek advice:	Future purchasers
Company representative	Company representative	Company representative
Restricted advice	Restricted advice	Restricted advice
Tied agent	Tied agent	Tied agent
Tied advice	Tied advice	Tied advice
Non-independent advice	Non-independent advice	Non-independent advice
Personal financial adviser	Personal financial adviser	Product recommendation
Financial advice (with brand)	Financial consultant	Service
Sales advice	Product recommendation service	Sales advice (with brand)
	Financial health specialist	Financial planning review
		Certified financial planner

The exercise showed the difficulty of coming up with a term that means the same to everyone and as such many spontaneously commented that the labels can mean different things to different people.

Through this exercise, the research also explored the potential interaction between a well-known high street bank brand and a label. It showed that where a well-known high street bank brand is paired with a label, respondents perceive that the service will be limited to products from that brand.

The groups were asked to consider three negative disclosure statements:

- *“I do not provide independent advice”*
- *“I do not consider all products or all providers in the market”*
- *“I do not look across the whole market”*

Most agreed that this information would be useful to know. The statement “I do not look across the whole market” was seen as particularly negative.

“It’s very negative. If you worked for [X] Bank, couldn’t you say ‘I advise on [X]’s products’, as opposed to, ‘I’m not worthy’.”

Future purchaser

However, respondents did feel it was helpful as such an explanation was considered honest.

The statement "I don't consider all the products in the market" was seen as similar to the first negative disclosure statement and was once again met with a relatively negative response from participants. There was a mixed response as to which statement was most helpful. Recent purchasers who sought advice preferred "I do not consider all products" whereas future purchasers preferred "I do not provide independent advice". Some commented that all three statements were about what the person would not do and that they would also want to know what the person would do, rather than just knowing what they would not do.

5 Element 1: mass market

Background

The purpose of the Element 1 interviews was:

- to test pre-specified labels to determine which are most effective at communicating the concept of non-independent advice; and
- to explore whether negative disclosure would provide improved clarity for consumers.

Objectives

The principal objective of Element 1 of the research was to assess the effectiveness of labels in helping consumers to distinguish between independent and non-independent advice.

This distinction between independent and non-independent advice is important. What distinguishes independent advice from non-independent advice is the breadth of the service offered – independent advice provides unbiased, unrestricted advice based on a comprehensive and fair analysis of the relevant market; non-independent advice is restricted in some way, for example, recommendations are made from a limited range of one or more product providers.

The FSA wanted the research to explore whether clearer labelling of the service will communicate the nature of the service effectively and enable the consumer to make a more informed decision about whether to use the service.

The following outcomes were desired from the Element 1 interviews:

- to determine which labels are best at communicating the concept of non-independent advice; and
- to explore whether negative disclosure would provide improved clarity for consumers.

The interview structure

Six labels and two statements (one employing ‘positive’ disclosure and one employing ‘negative’ disclosure) were tested with each of the 24 Element 1 respondents³.

The topic guide was divided into six broad sections as shown in Table 6 below.

Table 6: Element 1 mass market topic guide

Section	Purpose
1	Warm-up and exploration of past investing behaviour
2	The role of advice (both professional and non-professional)
3	Spontaneous testing of the six labels
4	Prompted testing of the six labels
5	Testing negative disclosure
6	Final wrap-up and close of interview

To mitigate any potential bias the labels and statements tested in sections three to five were rotated, i.e. they were not always shown in the same order.

The following interview structure was used:

- spontaneous views of and reactions to the labels – i.e. the unprompted ‘top-of-mind’ responses;
- understanding of the labels - following the spontaneous feedback the interviewer explored the perceived level and reliability of, and the range of products covered by, the service and propensity to use the service;
- identifying the service which consumers would be most likely to use;
- understanding of FSA descriptions of independent and non-independent advice, including the importance of the distinction and the extent to which this would play a role in the decision-making process;
- testing of the effectiveness of the labels in describing non-independent advice;
- testing the effectiveness of two different ways of describing non-independent advice – one using positive disclosure and one using negative disclosure; and

- once all labels and descriptions had been shown identify which was most effective in describing non-independent advice.

Investment behaviour

The recent investors interviewed held a range of different investment products, most commonly personal/private pensions, followed by equity ISAs. Other products mentioned included investment bonds, mortgage endowments and investment trusts.

The problems encountered when investing were associated primarily with concerns over investment risk and a lack of knowledge about where to go for advice. There was also some evidence that future purchasers were wary of financial advice and financial advisers.

The principal barriers to investment were identified as a lack of money, or more specifically, 'spare' money, particularly in the current economic climate in which individuals felt that they might need immediate access to their money if they were affected by the economic downturn. There was some indication that media coverage of the economic climate had exacerbated the perceived risk associated with investment and raised questions about the stability of financial institutions. Respondents also cited both their own lack of knowledge of financial products and of the investment options available and their lack of trust in financial services (and specifically in financial advisers) as barriers to investment.

"The financial advisers I talked to were very robotic, very presentation orientated, so it was not about qualifying me and my situation, it was all about their products."

Future purchaser

Respondents reported having used a variety of sources when making decisions on what to invest and where to invest, most commonly family and friends (and indeed, work colleagues). Professional advisers, including banks and building societies, were also mentioned (most notably by those who had recently purchased an investment product and sought professional advice in doing so), while financial websites and/or the financial press also played a role.

³ A detailed profile of Element 1 respondents can be found in section 4

The role of advice

Consumers across all three respondent categories tended to consider financial advice to be ‘very important’ when making investment decisions (although it does not necessarily follow that those who had purchased an investment product in the last three years had sought professional advice when doing so). A perceived lack of personal knowledge about, or expertise in, financial products and services were the main reasons for seeking financial advice. Future purchasers were wary of the financial risks associated with making an investment (usually because of their own experience or the experience of other people known to them), especially in the current economic climate, and viewed the use of financial advice as a means of mitigating this risk.

Respondents’ ratings of their own financial knowledge varied considerably: from very low (one out of ten) to relatively high (eight out of ten). Their self-reported level of knowledge had little impact on the perceived importance of financial advice, however.

Table 7: Self-assessed rating of financial knowledge

Respondent type	Self-assessed rating of financial knowledge		
	1-4 (low)	5-6 (medium)	7-10 (high)
Recent purchasers who sought advice	4	2	3
Recent purchasers who did not seek advice	2	2	2
Future purchasers	2	5	2
TOTAL	8	9	7

Those who had used financial advice in making investment decisions were generally very positive in their assessment of the service. Some had a personal and long-standing relationship with their adviser (in some cases, a friend or family member), while others had approached an adviser following a recommendation. Only a few specified that the financial adviser they had used was an independent financial adviser, while several mentioned that the financial adviser was a representative of their bank. Knowledge, clarity, lack of jargon, professionalism and lack of 'pushiness' were the key factors in determining consumers' level of satisfaction with a financial adviser.

Those who had made investment decisions without actively seeking financial advice cited three principal reasons for having done so:

- A lack of trust in financial advice, and in particular, the notion that advisers tended to act in their own rather than the customer's interest;
- A perception that the investment they had made was too small to warrant financial advice (although some noted that they had sought financial advice for more major financial decisions, such as choosing a mortgage, advising on tax or making larger investments); and
- Inertia or laziness – manifested in the purchase of a product from a financial institution (usually a bank or building society) of which the respondent was already a customer.

Spontaneous testing of labels

SALES ADVICE

Respondents perceived 'sales advice' to be very much sales-focused and expressed concern that it would involve a 'pushy' sales person providing an impersonal service that would be of greater benefit to the adviser than to the customer.

"It's a selling platform rather than an advisory platform."

Future purchaser

'Sales advice' was associated with the retail sector, echoing the term 'sales assistant', which implied the provision of information rather than advice. A 'sales adviser' was perceived to be an individual who would provide a list of products available but not be able to provide tailored or personalised advice to customers. As such, the service was believed to be quite basic, although some took the view that it would be a good, but predominantly sales-orientated, service.

"It sounds like I'm going into a store and someone is trying to sell me a telly."

Recent purchaser; sought advice

'Sales advice' was also considered to be rather vague, with nothing to indicate that it would relate to financial products. It raised a number of questions, such as "Whose products are they selling?" and "What products are they selling?", as well as questions relating to the independence of the advice on offer and the role of commission in adviser remuneration.

The general view was that 'sales advice' would not be reliable, although uncertainty over the meaning of the role made it difficult to judge. Respondents thought that they would be unlikely to use the service, although conceded that they might visit as part of 'shopping around' or as an initial stage in the decision-making process.

Consumers felt that the label gave no indication as to whether or not the advice available would be independent and there was no consensus on the breadth of offering: some believed a 'sales adviser' would consider a wide range of products while others believed that they would be limited to the products offered by a particular financial institution.

RESTRICTED ADVICE

'Restricted advice' raised a number of questions in terms of what exactly would be restricted, for example "Why is it restricted?" and "What is it restricted to?" Respondents were concerned that with 'restricted advice' you would not receive the "full picture" – either you would get limited information on products (for example, a restricted amount of information on details such as the likely return on investment or on asset classes in which their money would be invested) or you would get advice covering only a small range of products (or indeed one product only). Some assumed that an individual would need to be an existing customer or have to pay a fee in order to receive the "full picture".

The label gave some consumers the impression that the adviser in question would not be fully qualified and as such would be restricted in the type and level of advice that he could provide.

"I wouldn't know whether they are restricted on giving me advice, or if the advice itself is restricted."

Future purchaser

For some, the notion of 'restricted' advice was perceived to be rather "mysterious" and the idea that some information was being withheld was off-putting.

"What are you not telling us?"

Future purchaser

"It seems as though they are keeping something from you, as though they have selected without discussion what they think is best for you."

Recent purchaser; did not seek advice

The perceived lack of clarity in the label gave rise to differing views about the level of service that such a service would offer. Some felt that the service could well be good, but only for certain products, as the adviser would have expertise in the area to which the advice he could offer was restricted, while others expected a very limited service comprising only the provision of general information – "facts and figures" – and either no advice or insufficiently detailed advice. As such, respondents said that they would be unlikely to use such a service unless they had already settled on a particular product and merely wished to execute the transaction.

"What are you restricted to? Get me the person who isn't!"

Recent purchaser; sought advice

NON-INDEPENDENT ADVICE

The label 'non-independent advice' elicited a variety of responses among those interviewed. Consumers expected a non-independent adviser to offer advice that applies only to a limited range of products (most likely to be those of a particular bank or building society) or to 'push' them towards a particular product or products. For some it sounded very much like a government-inspired or regulatory label, which was perceived to be either "clinical" or reassuring and authoritative.

"It sounds like the FSA thought it up: it's too clinical."

Recent purchaser; sought advice

There was evidence that some consumers interviewed believed that any adviser who did not work directly for a financial institution such as a bank or building society would be an independent adviser. As such, there was a perception that a non-independent adviser would represent a larger organisation rather than being a self-employed financial adviser operating as an individual.

"It seems like, if it's non-independent, basically it's a big company – so I would use it because of that."

Future purchaser

Some of those interviewed thought that 'non-independent advice' would cover the whole market and be more customer-focused than independent advice, indicating a degree of confusion over the term 'independent' and the possibility that it had been misread as 'dependent'.

Although the label prompted a variety of responses, it gave rise to fewer questions than the other labels tested. Some respondents would expect a non-independent adviser to be knowledgeable, because they would be focused on a limited range of products, but the notion of non-independence also gave rise to some concern that such an adviser would push customer towards a particular product or products which were not the most appropriate to the customer.

Among consumers interviewed, propensity to use the service was polarised. Those who would be likely to use it said they would only do so if they were interested in the particular product or to complement independent advice. Others said that they would be unlikely to use such a service because they felt that their options would be limited.

"I just don't think he's sufficiently versed in all the products out there that would suit my particular requirements."

Recent purchaser; sought advice

There was no consensus on the range of products that would be covered by non-independent advice – views ranged from a "very limited" range (and possibly just one product) to a "very wide" range covering the entire market.

TIED ADVICE

'Tied advice' was generally understood to refer to advice which is tied to a particular financial institution or product, although some interpreted it to be advice which is tied to certain terms, options or conditions (e.g. advice that is only available for existing customers or owners of other, pre-specified products), or advice on products to which investors would be 'tied in' for a certain amount of time.

"If you want insurance from X, then you go to X. But that wouldn't be my choice. I would want to look at the whole range."

Future purchaser

There was some, albeit not widespread, evidence that consumers interviewed perceived the label to be "amateurish" or "clumsy".

"No-one wants to be tied in. I want to be free to put money wherever and whenever I want."

Future purchaser

The label elicited a number of questions, provoked most notably by concerns over the range and type of products available and the term of investment: “Why is the adviser tied and to what?”, “What is the customer tied to and how long would the customer be tied in for?”

“I wouldn't really know what they meant.”

Recent purchaser; did not seek advice

Respondents expected a ‘tied adviser’ to have in-depth knowledge about the products to which he is tied, but limited ability to advise on the market as a whole or to make comparisons with other providers’ products because of his focus on a limited range of products.

Respondents tended to be unlikely to anticipate using such a service. There was some concern that a ‘tied adviser’ would push customers towards a particular product or products, particularly as a tied adviser was generally perceived to offer advice only on a limited product range (although a few consumers did expect a wider range).

“It just implies that they are going to tie you down to a particular product and ‘You are not going out of that door until you have taken one of our offers.’”

Recent purchaser; did not seek advice

AFFILIATED ADVICE

Respondents generally understood ‘affiliated advice’ to be advice which is affiliated to a number of different financial institutions or group of financial institutions. While such advice was not perceived to be independent per se, it was thought to offer consumers a degree of choice – and consequently gave rise to a degree of customer confidence – because it was not perceived to be tied to a single provider. Some thought that affiliated advice referred to a group of advisers who are affiliated to each other, which was also viewed positively.

“If they're working for several different companies, it's almost the same as an independent adviser.”

Recent purchaser; did not seek advice

“They might all have their own specialist areas, so you might get referred to someone else they are linked to.”

Future purchaser

The fact that 'affiliated advice' implied the involvement of several organisations was comforting to some consumers, evoking a sense of "safety in numbers". It was also perceived to sound "professional" and "official".

"'We are affiliated to a particular organisation' — it's more professional, more suitable."

Recent purchaser; did not seek advice

Respondents were generally positive about the level of service on offer and anticipated that advisers would be able to offer in-depth advice covering a wider range of products than would be covered by the other types of advice tested. Some expected that 'affiliated advice' would represent a "better" level of service than that offered by other advisers.

Respondents were broadly positive about the reliability of 'affiliated advice', although they expressed some concern that such advice would only cover 'affiliated' companies. In spite of these (few) concerns about independence, consumers reported that they would be likely to use the service.

LIMITED ADVICE

'Limited advice' was generally viewed in a negative light. Some thought that individuals offering 'limited advice' would not be fully qualified — they would be a "novice financial adviser" only trained to advise up to a certain point, for example, only qualified to provide basic financial advice. There was also an impression that 'limited advice' was cheap or low-cost advice — "I would expect a financial adviser to give me more than limited advice" (Recent purchaser; sought advice).

"They can only give as much advice as they are allowed or licensed to."

Recent purchaser; sought advice

"They might not be able to tell me some things that I would really need to know."

Future purchaser

Respondents tended to agree that the service on offer would only cover a limited range of products or providers. It was deemed important to know how limited this range would be.

"Is it to do with the products they have, or is it to do with the service, or is it because they only look at particular companies?"

Recent purchaser; did not seek advice

Respondents expected a "limited" service, but interpreted this in different ways: either a basic service governed by strict limits on the extent of advice available (because the adviser would only be qualified or knowledgeable enough to "go so far") or a good service which only covered a small number of products.

Some respondents said that they would not rely on the advice offered, while others thought the advice would be reliable because they would expect the adviser to be knowledgeable within his limited field.

Respondents said they would be unlikely to use 'limited advice', because they perceived that it would not represent a full service or one that was tailored to needs of customer. Those who would be likely to use the service would only do so if it covered the product they were interested in.

"It would feel like you weren't getting the whole package."

Recent purchaser; did not seek advice

Spontaneous testing of labels: summary

In the spontaneous testing of the six possible labels for non-independent advice, 'affiliated advice' was the one that appealed most. Respondents reported that they would be most likely to use the service and expressed a strong preference for it. 'Affiliated advice' was perceived to imply greater choice than the other labels, suggesting a degree of independence in terms of the range of products on offer, but with the security or protection of a larger organisation (of providers or perhaps advisers) to which the adviser is affiliated. The label was also perceived to sound "*official*" and "*professional*".

The other five labels for non-independent advice were generally considered unappealing by respondents although some respondents said that they would consider using these services under certain circumstances.

Descriptions of independent and non-independent advice

All those interviewed were able to identify the key differences between independent and non-independent advisers. The descriptions were considered to be clear and concise and respondents welcomed this, referring to the descriptions as being in “plain English” and “not jargon”.

“It is in plain English and is very clear - especially for someone like me with not much knowledge.”

Recent purchaser; sought advice

The concepts were perceived to be easy to grasp, although a few of those interviewed were surprised at the descriptions: some respondents believed an independent adviser was one who did not work directly for a financial institution such as a bank or building society.

Almost all felt that the distinction between the two types of advice would be a key factor in making a decision on what advice to use and almost all rejected non-independent advice, mainly because they would like advice across the whole market.

“Why would you go to [a non-independent adviser] when you can go to somebody who will search the whole market?”

Recent purchaser; sought advice

Nevertheless some respondents reported that non-independent advice would be acceptable if they were already happy with the provider or product.

While respondents stated a strong preference for independent advice, this did not necessarily reflect their actual behaviour when seeking advice – many respondents reported that they had sought advice from their bank or building society.

Prompted testing of terms

Perhaps unsurprisingly, after respondents had seen the descriptions of independent and non-independent advice, they felt that 'non-independent advice' was the most effective label for describing the concept of non-independent advice. 'Restricted advice' and 'tied advice' were also considered effective. 'Affiliated advice' and 'sales advice' were considered ineffective. 'Sales advice' was considered general and vague and did not clearly suggest that the advice would be non-independent, limited or restricted in any way. 'Affiliated advice' was considered ambiguous and there was some suggestion that it may cast too positive a light on the service, and could possibly be misleading.

"['Non-independent advice' is] a very precise description and a good extension of the disclaimer."

Future purchaser

"['Non-independent advice' is] the clearest possible – no jargon – and that's what's needed."

Recent purchaser, sought advice

"['Restricted advice'] tells you that the advice is restricted or limited."

Recent purchaser, did not seek advice

"['Tied advice'] makes the connection between the adviser and the product."

Recent purchaser, sought advice

While respondents reported that 'non-independent' advice was the most effective, once they had seen the descriptions of independent and non-independent advice, the spontaneous testing suggested that "restricted advice" was more effective in highlighting to them the key distinguishing feature of non-independent advice – that it is in some way restricted. For example, 'restricted advice' prompted respondents to ask questions about what was restricted about the advice, whereas non-independent advice raised few questions which could indicate either that it was completely clear, or more likely that it did not communicate the intended message. Table 8 summarises consumers' views of the effectiveness of the six labels tested in prompted testing, once they had seen the descriptions of independent and non-independent advice.

Table 8: Summary of effectiveness of labels tested in describing non-independent advice in prompted testing

Label	Effectiveness	Comments
Non-independent advice	Effective	Very clear – <i>“Does exactly what it says on the tin”</i> .
Restricted advice	Effective	‘Restricted’ tended to be clearly understood as advice which is restricted to a narrow range of companies (or just one): such an adviser can only provide advice on certain products in market – not the whole market. But for some, it was not clear what the advice is restricted to.
Tied advice	Effective	This label was clear in that the adviser could only give advice on products from providers to which he is tied. There was some indication that the advice applies to only one provider rather than a (narrow) range of providers. But for some, it was not clear what the adviser is tied to, so the label did not communicate non-independence clearly.
Limited advice	Neutral	This label had a polarising effect: Those who considered it to be effective perceived it to be very similar to ‘restricted advice’: that it does not offer advice on the full range of products because the advice is limited to products of one provider. Those who considered it not to be effective were unclear as to whether the advice would be limited to a particular provider’s products or whether it would cover the full range of products but only offer a limited amount of advice.
Sales advice	Not effective	This label was considered to be very general and vague as it is used in sectors other than financial services. There was no suggestion that the advice would be limited or non-independent.
Affiliated advice	Not effective	This label gave rise to divergent views: Those who considered it not to be effective thought ‘affiliated’ to be ambiguous and unclear: some took it to mean affiliated to a group of (independent) advisers, others to a provider (although not necessarily tied to that provider’s products). Some did not understand the term at all or saw it as “jargon”. Those who considered it to be effective deemed it to be quite clear: affiliated to a provider and therefore only offering advice on their products.

Testing negative disclosure

To explore the effectiveness of negative disclosure, respondents were asked to consider two statements, one using positive disclosure and one using negative disclosure:

- *"I offer advice from a limited range of companies"* (positive disclosure); and
- *"I do not consider all products or all providers in the market"* (negative disclosure).

Respondents recognised that these statements both related to non-independent advice and that they were essentially two different ways of saying the same thing. Respondents commented that statements such as these would be helpful when deciding whether or not to use a service.

Respondents generally preferred the positive disclosure statement over the negative disclosure statement. The positive disclosure statement was seen as being more "to the point" than the negative disclosure. Respondents appreciated the honesty, clarity and precision of the statement and understood that it referred to the concept of non-independent advice. A number of respondents commented that they prefer a statement about what they are getting, rather than what they are not getting. It was also perceived to be more appealing and less negative – in tone as well as structure.

"The language focuses on what they can do rather than what they can't do."

Recent purchaser, did not seek advice

"It's straight to the point. It says the same as [negative disclosure] but in a nicer way."

Future purchaser

Interestingly, however, while consumers preferred positive disclosure over negative disclosure, even negative disclosure was considered by most to be more informative and useful than simply a label. This suggests that a short statement is clearer, less ambiguous and more easily understood than a label, which is more subjective and open to different interpretation. It is perhaps unsurprising that a short sentence is able to communicate more meaning than a two-word label.

"It breaks it down for someone who is not particularly aware. If they looked at 'non-independent advice', they wouldn't necessarily know what that meant."

Recent purchaser, did not seek advice

"A definition is always clearer than words: sometimes people understand the words but they don't know the definition of it."

Future purchaser

6 Element 1: High Net Worth Individuals

Background, objectives and interview structure

The purpose of this component of Element 1 was identical to that of the 'mass market' interviews: to assess the effectiveness of labels in helping consumers distinguish between independent and non-independent advice, specifically:

- to test pre-specified labels to determine which are most effective at communicating the concept of non-independent advice; and
- to explore whether negative disclosure would provide improved clarity for consumers.

The two key differences between this strand and the 'mass market' phase were the target audience and the labels tested. HNWI were defined as individuals who:

- have purchased an investment product in the last three years;
- had an income before tax of £100,000 and/ or net assets in excess of £250,000; and
- employ a Wealth Management Service.

More detailed information about the profile of the HNWI sample can be found in section 4.

In addition to the six labels tested with mass market respondents, four further labels which these HNWI may have come across were also tested: 'investment management', 'wealth management', 'private banker' and 'stockbroker'.

A total of ten labels and two statements (one employing 'positive' disclosure and one employing 'negative' disclosure) were tested with each of the six HNWI respondents.

The topic guide was divided into six broad sections as shown in Table 9 below.

Table 9: Element 1 HNWI topic guide

Section	Purpose
1	Warm-up and exploration of past investing behaviour
2	The role of advice (both professional and non-professional)
3	Spontaneous testing of the six 'mass market' labels and the four HNWI-specific labels
4	Prompted testing of the six 'mass market' labels
5	Testing negative disclosure
6	Final wrap-up and close of interview

Once again, to mitigate any potential bias the labels and statements tested in sections three to five were rotated, i.e. they were not always shown in the same order.

Investment behaviour

The HNWIs interviewed held a wide range of investment products including ISAs, personal/private pensions, mortgage endowments, unit trusts and investment trusts.

There was a general consensus among HNWIs interviewed that the principal barrier to investing was the current economic climate and a lack of confidence in financial markets. Whilst lack of available funds was not perceived to be as much of an obstacle by this wealthier cohort as by the mass-market respondents interviewed, lower potential returns on investment was considered to be a major factor by HNWIs.

The HNWIs interviewed tended to rate their financial knowledge on average no more highly than 'mass market' consumers (five rated their financial knowledge as medium and one rated their financial knowledge as high), although it is conceivable that their assessment criteria were different. HNWIs felt that their lack of in-depth personal knowledge and understanding of financial products and services restricted their investment activity, but also considered it to be a reason for seeking financial advice when making investment decisions.

"We watch Bloomberg and CNN but we don't understand that much."

High Net Worth Individual

"Knowledge: that's why we all have financial advisers. We assume they know what they are taking about". (HNWI)

High Net Worth Individual

Overall, the HNWI interviewed seemed to encounter few problems when making investment decisions and although they employed a Wealth Management Service they would also conduct their own research when making a decision to invest. They also reported using a variety of sources for financial advice such as discussions with friends and family, the internet and the financial press.

“Do I trust my own judgement? So far, yes, because it’s proved to be reasonably productive. I look at a number of different newspapers and magazines online. I don’t trust anybody particularly but call on my own judgement.”

High Net Worth Individual

Role of advice

All HNWI interviewed considered the role of advice in making investment decisions to be “very important” and placed considerable emphasis on financial advice. Issues such as trust in the adviser and the adviser’s experience and knowledge were cited as of greatest importance in selecting an adviser. Whilst the HNWI interviewed reported that the advisers they engaged had many years of experience and deemed this experience - and the level of knowledge and understanding it generates – to be valuable, the trust that they had built up (partly on the basis of transparency) over the years, was perceived to be the most important element of the relationship. Perhaps reflecting this issue of trust, all HNWI interviews had chosen their adviser based on recommendations from friends or family:

“We compared commission but I think it’s more how you feel with the person. You have a relationship with these people. You want to know that they will be attentive with you.”

High Net Worth Individual

All HNWI respondents reported having had a good experience of using professional advice, stating that they found the process of seeking and receiving advice to be a smooth one. They reported that the advice they received was impartial and that their adviser gave them the “whole picture”.

Spontaneous testing of labels

SALES ADVICE

This term was perceived to be too general and vague, prompting a number of questions such as, “What are they selling – is it impartial advice?” and “How wide a range of products will they be selling?” HNWIs generally agreed that a ‘sales adviser’ would sell a wide range of products. The term had a negative connotation and was deemed to refer to a level of service that would be too basic for HNWIs’ needs.

“This would have been great when I graduated from university and needed advice on something.”

High Net Worth Individual

“I wouldn’t really trust the person I’m dealing with. I feel they have a vested interest, whatever they sell to me they’re going to make some profit from it.”

High Net Worth Individual

RESTRICTED ADVICE

This term generated confusion among the HNWIs interviewed as to its meaning, especially the notion that the advice would be in some way ‘restricted’. It gave rise to a number of questions such as, “Why is it restricted?”, “What does it mean?” and “Are they specialising in something?” There was consensus among HNWIs that this service would only cover a limited range of products. The concept of an adviser who was not able or allowed to offer advice on all products and services in the market was highly unappealing to HNWIs.

“I’m a bit suspicious of it: are they restricting it to their own products or something just to benefit themselves? Is it going to be the best for me?”

High Net Worth Individual

NON-INDEPENDENT ADVICE

The general perception of this label was that it would apply to a service that was commission based and not independent – “biased” – and would only offer products associated with a particular company. The label also conjured up images of advisers using a “hard sell” approach. There was some concern that such a service would not be regulated by the FSA and that the advice provided would be unreliable - neither impartial nor covering all products and services in the market. A combination of a lack of trust in the service and the perception that the range of products covered would be very limited made HNWIs unlikely to use the service.

“It looks to me as if this is one company’s sales force selling its own range of limited products.”

High Net Worth Individual

“If something was independent, you would get better advice. If it was non-independent it would be dependent on one firm, so it would be biased - partial rather than impartial.”

High Net Worth Individual

TIED ADVICE

This label evoked a service that was perceived to be tied to the products of a particular provider and it was deemed important to know exactly how the advice was ‘tied’. HNWI’s felt that the service provided would be of poor quality, covering a very limited number of products and offered by an adviser who was primarily working in their own rather than the customer’s interest. There was very little interest in engaging with such a service.

“A service that would focus on the adviser’s interests [rather than the customer’s], all these labels are a bit about them rather than the user.”

High Net Worth Individual

AFFILIATED ADVICE

There was some confusion as to the meaning of this label but it was generally taken to apply to a service provided by an adviser who was trying to sell products from companies to which they were affiliated in some way, and therefore not all products in the market. Again it was considered important to know to which providers the adviser was affiliated. HNWI’s believed that this service would offer a relatively wide range of products, as the adviser could be linked to many different companies or organisations. Some felt that the service was likely to be more reliable than those described by some of the other labels tested. A few went as far as to say that they would use such a service, but qualified this by adding that they would only do so if the service was free of charge and had been recommended by someone they trusted.

“Affiliated could mean one company, but I keep on picturing that they’re affiliated with several different products.”

High Net Worth Individual

LIMITED ADVICE

This label provoked mixed reactions. On the one hand it had negative connotations because it was felt that only a very limited range of products would be covered by the advice on offer or that only basic advice and services would be available. It was again considered important to know what the advice was limited to and the range of products that would be covered. On the other hand 'limited advice' was perceived to be reliable because it implied that the adviser specialised in a particular area. Even those who took this view reported that they would be unlikely to use the service however, as it was perceived to be too basic for their needs and they would like to "cast their nets a bit wider".

"This one really does worry me. It seems more constricting than sales because it's like, 'Hey, what do you know? Why should I come to you?' In these trying times, you really have to get it right."

High Net Worth Individual

Spontaneous testing of labels: summary

For the HNWI's interviewed, of the six labels tested, 'sales advice' was considered the most appealing. Although HNWI's reported that they would be unlikely to use the service per se, it was more attractive than the other labels tested, primarily because it did not imply a service that was in some way restricted and because it implied immediate access to their financial needs. They also appreciated the "honesty" of the label, in that it addressed the fact that a financial adviser is selling advice.

'Affiliated advice' was also appealing to some on the grounds that it suggested an association with a larger organisation or institution and because the term itself sounded "official".

The remaining four labels were considered unappealing because it was clear to them that there were limitations or restrictions on the service. HNWI's expressed concern that customers would not receive the best advice, either because the scope of the advice or the range of products covered would be limited or restricted.

Descriptions of non-independent and independent advice

HNWIs found the FSA descriptions of independent advice and non-independent advice to be clear and to the point. The HNWIs found the concepts easy and were able to grasp them straight away. They were able to identify the key differences between the two types of advice. All HNWIs felt that the distinction between the two would be an extremely important factor in making a decision on what advisory service they would use.

“It is very important because you want to know that they are looking at the whole market for you, not just what they’re trying to sell.”

High Net Worth Individual

It was evident that respondents would prefer independent advice and some remarked that they went to see a non-independent adviser but were not told by the adviser that they provided non-independent advice.

Testing of HNWI-specific labels

INVESTMENT MANAGEMENT

HNWIs perceived that this service would be managing one’s investments, a service that included both buying and selling. HNWIs felt that the service would be more bespoke than an IFA and as such would be able to offer everything such as advice on where to put your money and where you can get a best possible return. All respondents thought that such a service would offer a wide range of products. The majority of respondents felt the service could relate to either non-independent advice or independent advice; however some thought that it would be independent:

“I would think it would relate to independent advice, I would never think for a minute that it wouldn’t be. Investment management is about looking after your investments. It should be completely impartial.”

High Net Worth Individual

All agreed that the distinction between independent and non-independent advice was very important in deciding whether they would use the service. Many felt that if you want the best advice then you cannot get this if it is limited whereas others felt they should be told up front what type of adviser they are seeing:

“People need to know whether they are talking to somebody who has got other options or whether they have only got one.”

High Net Worth Individual

WEALTH MANAGEMENT

HNWIs perceived this service as managing the investments of the very wealthy. As a result it was felt that a wide range of services would be on offer. This was seen as being a more personalised service as there would be one person looking after the individual's interests. The adviser would be in charge of large sums of money and would be expected to know what they are doing:

“I think you'd have someone available for you personally who would always look after your portfolio and would spend a lot of time and effort.”

High Net Worth Individual

The majority thought that wealth management could be either independent or non-independent advice, but all felt that the distinction would be important when considering a wealth management service. The consensus amongst the HNWIs was that the service would offer a wide range of products especially as, dealing with large amounts of money, they would be able to afford anything that is available on the market.

PRIVATE BANKER

There were varied responses as to what the term actually meant nevertheless it was perceived to as work in the best interests of the investor and giving advice on an investment strategy. This was seen as providing a good and specialised service although some did question the notion that bankers give advice:

“Banks hold your money and give you commission but do they advise you?”

High Net Worth Individual

It was generally felt that this service would offer a wide range of products and the consensus was that it would be independent advice, especially as it is a private service. Once again, all HNWIs felt that the distinction between independent and non-independent advice was extremely important in helping them decide whether to use the service.

HNWIs perceived that this service would buy and sell shares on your behalf. It was also thought that this would not necessarily be an advisory service:

“They’d execute trades for you, but would it be advisory? I’m not sure. Would you listen to them? They don’t inspire confidence. I would only use them as an executor and they would take the margins from that.”

High Net Worth Individual

Respondents felt that if they did offer advice, it would be on stocks and shares only but that they would be able to offer a wide range of services. The HNWIs were mixed in their response as to whether this would be independent advice or non-independent advice, although once again, all felt that the distinction would be very important.

Prompted testing of the six labels for non-independent advice

Almost all HNWIs felt that ‘non-independent advice’ was most successful in explaining the concept of non-independent advice. ‘Restricted advice’ and ‘limited advice’ were also seen as being effective label for describing non-independent advice.

“[‘Non-independent advice’] says what it means. It’s not pussy-footing around and trying to bamboozle you in any kind of way.”

High Net Worth Individual

Table 10: Summary of HNWI views of effectiveness of labels for non-independent advice

Label	Effectiveness	Comments
Sales advice	Not effective	This label was seen as a general term which could mean anything; some felt it implied independent advice.
Restricted advice	Effective	Respondents felt that Restricted implied a limited range of products. The service was seen as being restricted to the adviser's products and the term was recognised as having a narrow meaning which gave the impression that the language was clear.
Non-independent advice	Effective	This label was seen as being effective because it says it all: "does what it says on the tin".
Tied advice	Not effective	Some were unclear the word "tied" means. The concept is largely understood but some feel that "tied" doesn't effectively describe it. It was felt that the label was not well thought out.
Affiliated advice	Effective	Respondents felt this label means having connections with other provider which suggests it's not entirely independent. Respondents also thought that the term sounded official, because affiliated doesn't have the full picture.
Limited advice	Effective	Limited is a negative statement. It clearly tells you that the advice would not tell the whole story.

Testing negative disclosure

To explore the effectiveness of negative disclosure, respondents were asked to consider the same two statements as those tested in the 'mass market' interviews.

- *"I offer advice from a limited range of companies"* (positive disclosure); and
- *"I do not consider all products or all providers in the market"* (negative disclosure).

HNWIs considered that these statements would be helpful for them in deciding whether or not to use the service. HNWIs preferred the positive disclosure statement over the negative one. Respondents liked the honesty of the statement and although respondents said they would not use the service, they would still be grateful to be told this in advance of seeing a financial adviser.

"It tells you they are not going to offer you everything. They are only going to tell you about what they have available to sell."

High Net Worth Individual

Whereas the mass market respondents found the disclosure statement more informative and clearer than the label, the HNWIs took a different view. For HNWIs, the label ('non-independent advice') was preferred as they felt it was more succinct and to the point:

"It's obvious and I got it immediately. The statement takes longer to digest."

High Net Worth Individual

"It says what it is and it's not wasting my time, it's straight to the point."

High Net Worth Individual

Element 1: Summary and conclusions

This research highlights the challenges for the FSA in seeking to develop a simple labelling system for independent and non-independent advice. The developmental stage and the depth interviews with both mass market and HNWIs consistently showed that the same label means different things to different people. This suggests that a label on its own is unlikely to be an effective way to inform consumers about the service they are getting.

The research was not able to identify one clear stand out label that was highly effective in communicating the restricted nature of non-independent advice. However, 'restricted advice' and 'tied advice' were the most effective of the options tested, based on the results of spontaneous and prompted testing. While in prompted testing, respondents identified 'non-independent advice' as being the most effective, their spontaneous responses suggested that restricted advice was more effective than non-independent advice in highlighting the key distinguishing feature of non-independent advice – that it is in some way restricted.

The research showed that consumers responded well to descriptions of independent and non-independent advice and short one sentence statements (positive and negative disclosure) explaining that non-independent advice is from a limited range. Respondents generally found these more informative and helpful than a label, commenting that it was easier to understand when things were spelt out more clearly with less left to interpretation. This suggests that a label used together with additional supporting information is likely to be more effective in helping consumers understand the service, than a label on its own, for example: *"I provide non-independent advice – I offer advice from a limited range of companies..."* In terms of what additional supporting information might be useful, the research also showed that respondents preferred positive disclosure over negative disclosure as it was considered honest and 'to the point' and it told them what they would get, rather than what they would not get.

Perhaps unsurprisingly, the labels identified as being effective also tended to be viewed in a negative light by respondents. This suggests that there may be a need to balance the possible negative effect of the label, so that it is not misinterpreted, by providing additional information that helps consumers better understand what the label means in the context of the service being offered. Again, this suggests that a label will need to be accompanied by additional information which provides context and helps clarify what the label means in terms of the service the particular adviser is offering.

7 Element 2

Background

The purpose of the Element 2 interviews was to test consumer understanding of disclosure on adviser charging. Two separate stages of testing were undertaken with all respondents being tested on both stages.

- **Pre-transaction stage:** To test the effectiveness of disclosure documents, in the form of a price list, which consumers could have access to before they chose their adviser. The price lists attempt to articulate basic services with a quoted price. The interviews for this stage were designed to test whether investors could understand basic information about services regarding advice and sales.
- **Mid-transaction stage:** To test consumer understanding of documents which could potentially be given to consumers mid-way through the transaction process. The purpose of these documents is to:
 - communicate that there is a charge for advice and how much the adviser will charge them for the advice received; and
 - outline the different payment options that the adviser provides.

Objectives

The primary objective of Element 2 was to gauge whether customers could benefit from increased transparency and easier access to the cost of advice. The FSA hypothesis is that if access to advice charges is improved and the cost of the advice (both immediate and as an impact on investment over time) is disclosed in a form which they can understand, they may become more aware of the cost of advice and develop a better understanding of what they are purchasing.

The following outcomes were desired from the Element 2 interviews:

- **pre-transaction stage:** to gain a better understanding of what kind of price list formats can be understood by consumers, in terms of what features could aid their understanding of advisory services on offer and the cost; and
- **mid-transaction stage:** to ascertain which method of disclosure is most effective in communicating to customers the total cost of advice and outlining their options for paying for the advice.

The interview structure

Due to time constraints and the risk of respondent fatigue it was not feasible to attempt to cover the Element 2 objectives with the same respondents that completed Element 1. Therefore a new sample of existing and future investors was recruited for the Element 2 testing. Details of the Element 2 sample can be found in section 4.

A total of five documents (three pre-transaction and two mid-transaction) were tested with each of the 36 Element 2 respondents.

The topic guide was divided into five broad sections as shown in Table 11 below.

Table 11: Element 2 topic guide

Section	Purpose
1	Warm-up and exploration of past investing behaviour
2	The role of advice (both professional and non-professional)
3	Testing the three pre-transactions documents
4	Testing the two mid-transaction documents
5	Final wrap-up and close of interview

To mitigate any potential bias, the documents tested in sections three and four were rotated, i.e. they were not always shown in the same order.

The following interview structure was used for both the pre-transaction and mid-transaction stage:

- spontaneous views of the document: i.e. the unprompted “top-of-mind” feedback;
- understanding of the document: following the spontaneous feedback the interviewer explored respondent understanding and perceptions of specific features of the document, e.g. content, language used, design, clarity etc.
- improvements that could/should be made;
- testing understanding of the document: in terms of whether, given a particular scenario, the respondent was able to calculate the total cost of the advice using the document. This task had to be handled carefully as we did not want those respondents who were not so confident with mathematics to feel uncomfortable with either the interview or interviewer;

- the usefulness of the document:
 - for the pre-transaction documents, did the respondent recognise that the advice has a cost and what the cost was, based on the document?
 - for the mid-transaction documents did the respondents understand that they were being charged for advice and how much they were being charged even if it varied by payment type and did they feel the document of use when making a decision as to whether to accept the recommendation from the adviser;
- the impact of the document upon the respondent's likelihood to shop around; and
- once all documents had been shown, which was preferred and which was most likely to be used.

Investment behaviour

In order to recruit similar types of respondents - attitudinally and behaviourally - for the Element 1 and 2 samples, the same recruitment screening questions were used to assess eligibility for participation in the research. It was of no surprise that the investment behaviour of the Element 2 respondents mirrored that of the Element 1 respondents.

The recent purchasers interviewed currently held a range of different investment products. As expected, the most frequently mentioned product type was equity ISAs, followed by various mentions of personal/private pensions. Investment bonds, investment trusts, unit trusts and mortgage endowments were also mentioned.

Problems encountered when deciding to invest centred on the perceived (or actual) complexity of financial products, the jargon used by the financial industry (both advisers and product providers) and in many cases the respondents' own lack of knowledge about finance and financial products.

"...thinking of my Stocks and Shares ISA, I get regular blurb through the post about it and it's very complicated..."

Recent purchaser; sought advice

The main issue that prevents some from investing at the present time is a lack of trust in advisers themselves and/or the financial system in general. This has been exacerbated by the recent economic turmoil and the high profile problems with banks and other financial institutions. The lack of trust in advisers can stem from a previous 'bad experience', or rather an experience that in retrospect is not considered to be optimal.

“At the moment it is all topsy-turvy and there are so many ways of putting your money where it is not protected. Right now I am waiting to see: watch and wait.”

Future purchaser

“I don't know whether the financial adviser has suggested a policy that's best for us or best for him, for what percentage of pay he gets off it.”

Future purchaser

Other reasons given for deciding not to invest included a lack of knowledge about finance that can lead to a lack of confidence and simply a lack of money to invest at the current time.

Respondents mentioned a range of different sources of information and advice used to make decisions on what to invest in and who to invest with. The key driver here is trust in the source. Many, across all respondent types, mentioned family and/or friends. By virtue of their relationship with the respondent these sources were considered trustworthy and some spoke of specific family members or friends who were experienced in making investments (and therefore considered to be more knowledgeable) who they would approach for advice. There was also some mention of professional advisers (particularly amongst those who had recently purchased using advice) and a few mentions of the financial press and specific financial websites.

“I would speak to my father because he has ISAs and quite a bit of knowledge.”

Recent purchaser; sought advice

The role of advice

Due to the perceived complexity of the financial market, professional financial advice is generally considered to be very important. Interestingly, respondents of all types frequently spontaneously mentioned the importance of adviser impartiality or of obtaining independent advice. However, because respondents say that independent advice is important this does not necessarily mean that they actually use an independent adviser in practice or would do so in the future as there are other factors that could affect their choice.

There were some concerns over trust when selecting a professional adviser – i.e. how will the customer know that they are 'good'. The preference expressed by many is either to talk to somebody they already know, e.g. this could be an existing relationship they have with an adviser or their bank etc, or to talk to someone that has been recommended by somebody they know and trust, e.g. an adviser that has been recommended by a family member or friend.

“It’s hard to know who to trust and where to get financial advice. Mainly I talk to people I know rather than people who will be too technical.”

Recent purchaser; did not seek advice

“I wouldn’t trust anyone I don’t know. Lining their own pockets they seem to make money whilst everyone else is losing money.”

Future purchaser

Many respondents recognised the limitations of their own knowledge regarding financial matters which could also influence the perceived importance of professional advice. The following table shows how the different types of respondents rated their own level of financial knowledge on a scale of one (low) to ten (high). Only a small number rated their financial knowledge at the high end of the scale with most giving a medium rating. There is no difference between the self-assessed rating of financial knowledge of future purchasers and the recent purchasers irrespective of whether they sought financial advice.

Table 12: Self-assessed rating of financial knowledge

Respondent type	Self-assessed rating of financial knowledge		
	1-4 (low)	5-6 (medium)	7-10 (high)
Recent purchasers who sought advice	4	6	2
Recent purchasers who did not seek advice	2	6	1
Future purchasers	5	8	2
TOTAL	11	20	5

Recent purchasers who sought advice had previously used a mixture of tied advisers (usually through their bank) and IFAs and their experience was generally positive. There was little evidence of any confusion over the range of products that tied advisers and IFAs could offer. Some said that they were told by the adviser of their status and the implications for the range of products that could be offered whilst a few said that they already knew the difference between the two types of adviser.

Those who had used tied advice in the past (some of whom expressed the importance of adviser impartiality and independence) did so for reasons of trust in an existing relationship with their bank or the comfort obtained from dealing with a well-known financial brand. This is entirely consistent with earlier findings regarding the importance of trust when selecting an adviser.

There was some mention of selecting an adviser because the “the advice was free”. This is a misconception that has been noted in other research studies regarding adviser remuneration where, although respondents correctly consider commission payments to be made by the provider, they do not appreciate that they actually pay for this commission indirectly.

Those recent purchasers who didn’t use advice for their last investment tended to have done so for one of two reasons:

- the sums of money involved were considered small enough not to warrant professional advice; or
- particularly amongst those who have made a number of investments using advice in the past a desire to “have a go” themselves for a change.

Pre-transaction stage documents

The interviews for the pre-transaction stage were focussed upon respondent perceptions and understanding of three different examples of pre-transaction documents. These were adapted by the FSA from real-life documents that are currently being used by some advisers. The documents tested are therefore typical of what potential investors might obtain from advisers in reality.

To control for any potential bias resulting from names, all of the documents were headed as being from the same adviser. However, each document was different in terms of content and format. The three documents can be seen in Annex B but their principal features are set out in Table 13.

Table 13: Principal features of pre-transaction documents

Pre-transaction document	Principal features
A	<ul style="list-style-type: none"> • Shows a breakdown of advice charges by type of service sought. • The charges are generally shown as percentages but the document also includes an hourly rate. • Both initial and ongoing charges are shown. • Document A is two-sided in portrait format.
B	<ul style="list-style-type: none"> • Shows a breakdown of advice charges by different types and levels of advice service available. • The charges are shown as mixture of percentages and monetary amounts. • Document B is one-sided in portrait format.
C	<ul style="list-style-type: none"> • Shows a breakdown of the initial and on-going advice charges. • The initial charge is shown as a monetary amount within a range depending on the complexity of the service. • The ongoing charge is shown as a percentage figure. • Document C is one-sided in landscape format.

Reactions to the pre-transaction concept

At the beginning of the pre-transaction interviews, before any of the actual documents were shown, the following text was shown to respondents as a showcard in order to gauge their spontaneous reactions to the concept of providing this kind of information.

“I’d like us to look at the kind of information you might receive before deciding whether to use a professional financial adviser. You would be able to obtain this information before talking to a financial adviser and the information would consist of a price list of the services the adviser provides.”

The concept was of interest to all respondents and the general view was that the more information that could be provided by advisers the better as it would mean that different advisers could potentially be compared in the respondents' own time and that it would enable customers to go into the advice process much better informed.

"If I know beforehand I can say 'I'm very sorry but I'm wasting your time and my time' and I can then walk out."

Recent purchaser; did not seek advice

"Better to have the knowledge up front beforehand so you know, before you start deciding to make investments, how much it's going to cost you."

Recent purchaser; sought advice

"I would find myself focusing on what I truly wanted if there was a price list."

Recent purchaser; sought advice

Summary of reactions to the pre-transaction documents

Table 14 summarises the main findings for each of the three pre-transaction documents. These findings are discussed in more detail throughout the remainder of this section.

Table 14: Summary of main findings from pre-transaction document testing

	Pre-transaction document		
	A	B	C
Spontaneous perceptions	<ul style="list-style-type: none"> • Generally positive • Simple descriptions of the services available 	<ul style="list-style-type: none"> • Mixed reactions • Content is generally considered clear although advice costs viewed as expensive 	<ul style="list-style-type: none"> • Mixed reactions • Some think it simple • Others that it is too complex or doesn't show enough information
Understanding of the document	<ul style="list-style-type: none"> • Most understood content and purpose • Some wanted more detail on the services • A few comments about particular words or phrases 	<ul style="list-style-type: none"> • Most understood content and purpose • Some felt in did not break down the services available as well as A • Design generally seen as good – perhaps the best of the three documents • Some confusion over the differences between the various advice services - needs more explanation 	<ul style="list-style-type: none"> • Most understood content and purpose • Initial consultancy fee needs more explanation for some • Investment management fees table generally liked but further explanation needed on initial and ongoing charges • Potential offset of fees needs to be clearer
Suggested improvements	<ul style="list-style-type: none"> • Explain whether adviser is tied or independent • Hourly rates should appear on the first page • More detail on the charges per hour for the different job roles 	<ul style="list-style-type: none"> • Make language simpler, plain English • Include an explanation of the different advice services • More information on the cost of advice for specific product types 	<ul style="list-style-type: none"> • Better explanation of Initial consultancy fee • Explanation needed on initial and ongoing charges • Potential offset of fees needs to be clearer • More detail on other services
Test of understanding	21 correct 15 incorrect	22 correct 14 incorrect	22 correct 14 incorrect
Usefulness in selecting an adviser	<ul style="list-style-type: none"> • Split as to whether could be used to decide upon an adviser - was generally seen as a good starting point • Some would not be able to make a decision as they found it difficult to separate the advice costs from the financial product they might be buying 	<ul style="list-style-type: none"> • Most would not be able to decide upon an adviser • Not enough information given for some • Once again some would not be able to make a decision as they found it difficult to separate the advice costs from the financial product they might be buying 	<ul style="list-style-type: none"> • Most would not be able to decide upon an adviser • Not enough information given for some • Again some would not be able to make a decision as they found it difficult to separate the advice costs from the financial product they might be buying
Impact on shopping around	<ul style="list-style-type: none"> • Most agree that it is a good starting point for comparisons and it would encourage shopping around 	<ul style="list-style-type: none"> • Most agree it would encourage shopping around 	<ul style="list-style-type: none"> • Most agree it would encourage shopping around
Overall preference	Document A		

Document A

SPONTANEOUS PERCEPTIONS

Spontaneous reactions to document A were generally positive and most thought that the content and layout of the document was clear. Many particularly liked what they saw as simple descriptions of the services offered based on what consumers themselves might be looking for rather than 'jargon-heavy' service labels. Some described the layout of the document as similar to a menu of advice options and services available.

UNDERSTANDING OF THE DOCUMENT

On reflection and when prompted on each aspect of the document, although still generally regarded as clear, there were some comments about the content, language used and design of the document. However, respondents still generally regarded the document to be clear.

Most of the respondents said that they understood the purpose of the document and its content. However, there were some aspects that were not understood so well. A few respondents were not clear about the ongoing charge for 'bi-annual' review, what it meant and what it actually covered. A couple also had some queries about the term 'Bespoke services', either wanting more information or regarding the term as jargon.

Some simply wanted more information, for example more detail on the services. Conversely others thought there was enough or too much information already shown in the document. Overall the document appeared to strike a good balance between detail and scope.

There were a few comments about particular words or phrases used, e.g. "initial charges" and "bi-annual", but most thought it was written in plain English.

The design was thought by some to be a bit "old-fashioned" or bland. Although most still thought the design appropriate for the nature of the document, i.e. they would not expect such a document to look particularly exciting.

SUGGESTED IMPROVEMENTS

There were a few suggestions for improvements to document A.

- start with the general advisory services at the top of the document with the more specific services at the bottom, i.e. the opposite to how the content is laid out at present;
- include some explanation of whether the adviser concerned was tied or independent. Some thought this was a key piece of information that was missing;
- provide more detail for 'Inheritance Tax Planning' and 'Bespoke Services' in the document rather than the vague "ask inside";
- some mentioned that the hourly rates should appear up-front on the first page rather than on the second page where they could be missed; and
- a few were confused as to why administrator charges per hour were shown and others wanted more detail on why the charges were different for the various job roles shown.

TEST OF UNDERSTANDING

Understanding of the information contained in the document was tested by asking respondents to calculate the fee they would expect to be charged for a full investment review assuming they were investing £10,000. The correct answer was £300. The following table shows how the respondents fared with the calculation.

Table 15: Correct responses: document A

	Correct	Incorrect
Overall	21	15
Recent purchasers who sought advice	9	3
Recent purchasers who did not seek advice	4	5
Future purchasers	8	7

Most respondents were able to calculate the correct fee. Those that gave an incorrect answer were told the correct answer in order to explore reactions to the fee level.

The size of the fee generally met expectations although some were surprised at the level.

"Reasonable and capped at £3,000 - more reasonable than £500 up front."

Recent purchaser; did not seek advice

"No, I would not want to walk into somewhere for some advice and come out having to pay £300. I would feel robbed."

Recent purchaser; sought advice

For this level of fee, many said they would expect a "good", comprehensive advice service. The implication being that some would expect the adviser charging this size of fee to be independent and to be able to offer the full range of products across the market.

We suggest that this initial reaction to the size of the fee and what can be expected from the advice as a result needs to be put in context. Many of the respondents would not have had any previous experience of paying a fee for advice so lacked a reference point for what is a 'reasonable' level. Any fee is going to be perceived as high to some and because of this, the expectation of what one would get for their money in terms of the advice are also heightened.

A few of the recent purchasers who sought advice did not have such expectations and felt that they would not be getting much of an advice service for this level of fee. Some of these mentioned that they would expect the adviser to be cultivating them for a longer-term relationship and would offer more services or advice over time.

USEFULNESS IN SELECTING AN ADVISER

Respondents were split as to whether they would be able to make a decision to use an adviser based solely on the document. It was generally seen as a good starting point but there was some indication of variation by the type of respondent.

"I would have to ask more questions. [The document] doesn't give the option of advice without investing. I would read, then call and ask questions."

Future purchaser

"I might have to call someone but as a starting point, it's fine."

Recent purchaser; did not seek advice

Many of the recent purchasers who sought advice said that they could not make a decision as they would want to compare with other advisers or would need more information about the adviser and the products that they sell. Conversely, most of the recent purchasers who did not seek advice said that they would be able to make a decision. The future purchasers were approximately evenly split as to whether they would be able to make a decision. Those that said they would not be able to also cited the need for more information about the adviser and the products sold.

Some across all respondent types said that they would not be able to make a decision as they found it difficult to disassociate the advice costs from the financial product.

"No because all this is telling me is how much the adviser is going to get out of it. I wouldn't know what product I would be buying from the information here."

Recent purchaser; sought advice

IMPACT ON SHOPPING AROUND

Most agreed that the document was a good starting point for comparison and it would encourage them to shop around for the best available deal.

Many said that the way the document breaks down the different services and fees available as a menu of options made it easy to compare advisers. However some made the point that the cheapest service was not necessarily the best and that other factors such as the range of products offered would come into play when deciding whether to shop around.

For some the document also raised awareness and expectations of what advisers can provide and this would lead them to ask questions when comparing between advisers.

"I can take it home and compare with similar info from other advisers."

Future purchaser

"These clear costs are easier to compare. However, cheapness is not always a reason to pick an adviser."

Recent purchaser; sought advice

"It will make me aware of what to look for."

Future purchaser

Document B

SPONTANEOUS PERCEPTIONS

Spontaneous reactions to document B were mixed. Some considered the layout and design to be good, whereas others thought it was complicated as it used 'jargon'. The content was generally considered to be clear, although the services offered were generally viewed as expensive.

One frequent comment made was that the size of the example investment amounts and the language used in the document led some to think that it was aimed at the wealthy and not "people like me".

"Not for me, for people who have lots to invest."

Future purchaser

"When you read 'implementation fee' and 'per annum', it seems a bit posher. It doesn't seem that plain English... I wouldn't think it was geared towards me."

Recent purchaser; sought advice

"I love the one that says, 'If you decide not to proceed with our recommendation, then a fee will be charged according to our hourly charge of £500!' It is an obvious charlatan!"

Recent purchaser; did not seek advice

UNDERSTANDING OF THE DOCUMENT

Most said that the document's content and purpose were clear and that they understood it. When prompted, some specific comments were made regarding the content, language used and design of the document.

It was felt by some that the document did not break down the available advice services as clearly as document A, although others praised the clarity of the document.

"It looked better until I started reading it."

Future purchaser

"Quite clear, presented well, clear, bold, not too long either."

Recent purchaser; sought advice

The design was generally seen as good, and perhaps the best of the three pre-transaction documents. The bullet point format was liked by some.

“The middle bit puts things in context - it does the maths for you.”

Recent purchaser; did not seek advice

There was some confusion expressed as to the differences between the advice options, e.g. between a ‘Financial Plan Report’ and as ‘Individual Financial Review’. More explanation of the services was needed here. The costs of these services were very different so respondents assumed that the service was different as well, but no indication was given as to how these differed. Similarly the wealth management report was seen as expensive but respondents reported that there was no explanation of what the service would involve.

The asset management fee attracted a few comments, in terms of whether or not this was additional to the other charges and what exactly the adviser was charging for. Again, respondents felt that more detailed information regarding the specific advice services was required.

The language used was regarded as “upmarket” and was off-putting to some, although others found it clear, concise and well written.

SUGGESTED IMPROVEMENTS

A number of suggestions were made:

- improve the language used and make it more basic and plain English;
- include an explanation of the different services mentioned and what they involve – how are they different?
- the text under ‘full advice and implementation fee’ is open to interpretation, ‘complex’ and ‘time consuming’? Should state a flat fee instead;
- more information on the cost of advice on specific products (as per document A), e.g. if you know that you want an annuity what would you have to pay?
- remove the set fees and replace with an hourly rate and an idea of how long each service typically takes; and
- add a glossary of terms.

Understanding of the information contained in the document was tested by asking respondents to calculate the fee they would expect to be charged for a full investment review assuming they were investing £10,000. The correct answer was £325. The following table shows how the respondents fared with the calculation.

Table 16: Correct responses: document B

	Correct	Incorrect
Overall	22	14
Recent purchasers who sought advice	10	2
Recent purchasers who did not seek advice	5	4
Future purchasers	7	8

As can be seen, most respondents were able to calculate the correct fee. Those that were incorrect were told the correct answer in order to explore reactions to the fee level.

Although only £25 more expensive than the similar service on document A, the size of the fee was seen as being at the high end of expectations by more respondents. The reason for this appeared to be the large values given as examples for funds under advice. This seemed to lead people to regard this adviser as more expensive and up-market, although in reality they are charging similar amounts to the adviser shown in document A.

There was also some confusion as to whether a combination of the fees shown would be applicable, e.g. whether a full advice would need to be combined with a financial review or a financial plan report.

For this level of fee some said they would expect a first class advice service covering the whole market. Others said that they would expect a good service similar to that in document A. Once again the implication was that some would expect an adviser charging this level of fee to be independent and to be able to offer the full range of products across the market.

"I would expect a first rate service because of the prices they are charging."

Future purchaser

"A good service — covers everything."

Recent purchaser; did not seek advice

Most said that they would not be able to make a decision to use an adviser based solely on this document.

Reasons given as to why not included:

- Some felt that there was not enough information given about the services and how they differ from each other to be able to make decision although some said they would use the information in the document to ask questions of the adviser.

"I don't know whether I'd want to go for an individual financial review or full advice — what's the difference?"

Recent purchaser; sought advice

- As with document A others could not make a decision as they found it difficult to disassociate advice costs from the financial product.

"No specific products are being advertised — just services."

Future purchaser

"I couldn't pick a product because no product is mentioned. It is just telling me how much the advice is going to cost me."

Recent purchaser; sought advice

However, some respondents said they could make a decision based on the document as they saw it providing a clear summary of the services available and charges made for those services.

"I think that it is a very good summary document with all the relevant information you would require."

Recent purchaser; did not seek advice

IMPACT ON SHOPPING AROUND

Most agreed that the document would encourage them to shop around as this was often seen as an expensive option and they would look for a better deal. Other respondents said that they would shop around regardless of the document as this was just something they did anyway.

"It might encourage me to give up and never shop around again. It might deter me from investing; I might look at it and think it's not worth it."

Future purchaser

"I think with anything, you are better off shopping around. I would do anyway if I were starting with something new."

Recent purchaser; sought advice

"I would normally be inclined to shop around anyway but this takes out the legwork. I would take this document away with me and use it to find out about the other services offered by other organisations or individuals."

Recent purchaser; sought advice

Document C

SPONTANEOUS PERCEPTIONS

Spontaneous reactions to document C were mixed. Some thought it clear, simple, focussed, less "fussy" and well laid-out. Others thought it complex and did not show enough information, especially when compared to documents A and B.

UNDERSTANDING OF THE DOCUMENT

Most felt they understood the content and purpose of the document. However, when prompted a range of specific comments were made about the content, language used and design.

The initial consultancy service mentioned above the centre panel needed to be explained in more detail e.g. what does the introductory research involve. There was also some suspicion around the range of costs quoted for the initial consultancy as it said that the actual amount would depend on the complexity of the work involved. This struck some respondents as too vague – what is regarded as complex – and they assumed that the actual cost would always be at the top end of the range.

“This one states that a consultation will cost between £500 and £1,000 – so there is a trust factor there. Who is to say that the complexity of the work won't always cost £1,000?”

Recent purchaser; did not seek advice

Some described the document as not containing much on advice but that it assumed that you were going to invest. For some this may be seen as focussed, whilst others felt that they would want more information on the other advice services offered by the adviser.

The investment management fees table was generally liked and considered simple to understand. However, further explanation may be required here as there was some confusion as what the initial charge and on-going charges mean and what they are being charged for.

The potential off-set of the initial consultancy fee against the investment management fee mentioned just below the table was not clear to some and would need to be explained better.

“Does it mean that if I go with them would they waive the initial fee straight away?”

Future purchaser

The design was regarded as plain by a few but otherwise acceptable to most. The landscape format was particularly liked or disliked by only a few.

SUGGESTED IMPROVEMENTS

A range of improvements to the document were suggested by respondents:

- provide more information about the initial consultancy fee, i.e. what it involves and covers. Provide an example of “complex” work;
- more information on other services they provide and the associated charges;
- more information and explanation about the initial and ongoing charges and the impact that these may have upon investment returns;
- add details of the adviser, e.g. how long they have been in business, what sort of products do they sell, whether they are independent. Also a freephone number so that potential customers can discuss requirements and obtain an idea of the likely initial consultancy fee;

“I would want more information on what they're investing in and how they work – they could be money launderers for all I know.”

Recent purchaser; sought advice

- explain how the offset of the initial consultancy fee works in practice.

TEST OF UNDERSTANDING

Once again respondent understanding of the information contained in the document was tested by asking them to calculate the fee they would be charged for an initial consultancy assuming they were investing £10,000. The correct answer was somewhere between £500 and £1,000 depending on the complexity of the work involved. The following table shows how the respondents fared with the calculation.

Table 17: Correct responses: document C

	Correct	Incorrect
Overall	22	14
Recent purchasers who sought advice	8	4
Recent purchasers who did not seek advice	4	5
Future purchasers	10	5

Again most respondents were able to calculate the correct fee. Those that were incorrect were told the correct answer in order to explore reactions to the fee level.

Only a minority said that the fee met their expectations. Many said that it was too expensive and some had no clear idea of what their expectations were. Some said that the advice given would just be for investments but a few expected their other financial needs to be covered in the initial consultancy. Amongst those who considered the cost of the advice to be high, the expectations of the kind of service received for the money was also high and there were mentions of an "excellent service", or "absolute best service".

"It doesn't really imply that it's very personal because it's like you get some printed document — they'll do a bit of research and then give you a breakdown."

Future purchaser

"Considering what is being charged, very, very good advice."

Recent purchaser; did not seek advice

"They would look at my pension and mortgage and any savings and tell me if there are any better deals."

Future purchaser

USEFULNESS IN SELECTING AN ADVISER

Most said that they would be unable to make a decision to use an adviser based solely on the information contained in this document. The major reason given for this was that there is not enough information given about the investment products that the adviser sold to enable an informed decision to be made. Some respondents specifically mentioned that they could not make a decision as the document only told them about the advice costs and did not mention any products at all. This highlights once again the difficulty many respondents had in disassociating advice costs from the financial products.

"It doesn't tell me anything, it only tells me what the advice is going to cost me."

Recent purchaser; sought advice

Other reasons given by a few respondents for not being able to make a decision included a lack of clarity or too much jargon used in the document and the need to speak to someone before any decision of this nature is made.

IMPACT ON SHOPPING AROUND

Only one respondent said document C would not encourage them to shop around for a better deal. Of those that say it would encourage them, the reasons given included that they always shop around for the best deal anyway, or they would need to in order to find more information.

Pre-transaction documents: overall preference

Once all three pre-transaction documents had been shown and discussed, respondents were asked to choose which one they preferred, the document they would be most likely to use and how they would use this document.

Document A was the preferred choice of around half of the respondents with the remainder equally split between documents B and C. This pattern was repeated in terms of the document they would be most likely to use.

Reasons given for the preference for document A centred around the way it itemises the advice options available. Document A was felt to be clear, straightforward and well laid out.

Those that preferred document B or C also expressed the view that this document was clear and well laid out. Those that preferred B also mentioned that it had more information, whereas those that preferred C mentioned that it was simpler and more focussed on investments.

How respondents said they would use their preferred document was similar across all three documents and all respondent types. Most said they would use the document to compare the cost of advice from different advisers and/or to initiate a discussion with the adviser.

Pre-transaction documents: test of understanding

Respondent understanding of the information contained in the three documents was tested in each case by asking them to calculate the fee they would be charged for a specific advice service assuming they were investing £10,000.

The level of correct answers given was consistent across all three documents, i.e. no document stood out as being better at communicating the advice costs. Only ten respondents (six recent purchasers who sought advice, two recent purchasers who did not seek advice, and two future purchasers) achieved a correct answer in all three tests of understanding. This indicates that most people had some difficulties in interpreting advice charges.

Mid-transaction stage

The interview for the mid-transaction stage was focussed upon respondent perceptions and understanding of two different examples of mid-transaction documents. These documents were designed by FSA and are typical of what investors might obtain from advisers in reality.

To control for any potential bias resulting from names, both of the mid-transaction documents were headed as being from the same adviser. The two documents can be seen in Annex B but their principal features are as follows:

Table 18: Principal features of mid-transaction documents

Mid-transaction document	Principal features
Document D	<ul style="list-style-type: none"> • Two-sided document with the charges shown in a table on page one • Charges shown as percentages • Two alternative instalment payment options for the advice shown • Total cost of advice shown as a monetary amount at the bottom of page one • Graphical representation of the instalment options shown on page two
Document E	<ul style="list-style-type: none"> • Two-sided document with the charges shown in a table on page one • Charges shown as monetary amounts • A single instalment payment option for the advice shown • Total cost of advice if paid as a lump sum and if paid in instalments shown as a monetary amount at the bottom of page one • Graphical representation of the instalment option shown on page one

Reactions to the mid-transaction concept

At the beginning of the mid-transaction section of the interview, before any of the actual documents were shown, the following text was provided to respondents as a show card in order to gauge their spontaneous reactions to the concept of providing this kind of information.

"I would now like you to assume that you have chosen the financial adviser you would like to use. After assessing your personal circumstances and giving you some advice this adviser would now provide you with another document which shows:

- *How much they will charge you for the advice they have given;*
- *The different ways that you can pay for the advice given; and*
- *The impact of each payment option upon the total cost of advice."*

The concept of receiving this type of information was of interest to all but one respondent. In general respondents would like to know what they are getting for their money and how much they are paying.

"I would want to know how much I was paying them compared with the interest rate I would be getting on the product that they might advise me on."

Recent purchaser; sought advice

The one respondent who was not interested in the concept felt that this type of information should be provided before the advice is given rather than afterwards.

Summary of reactions to the mid-transaction documents

The table below summarises the main findings for the two mid-transaction documents. These findings are discussed in more detail throughout the remainder of this section.

Table 19: Summary of main findings from mid-transaction document testing

	Mid-transaction document	
	D	E
Spontaneous perceptions	<ul style="list-style-type: none"> • Mixed reactions • Percentages not liked by some • Tabular format also divided opinion 	<ul style="list-style-type: none"> • Generally positive • Seen as simpler than D due to fewer instalment options and use of monetary figures rather than percentages
Understanding of the document	<ul style="list-style-type: none"> • Some confusion over the option to pay by instalments - much of it as a result of percentages • For some almost too much information given which can confuse • Language generally considered to be clear and layout fine for most 	<ul style="list-style-type: none"> • Most say they understand the content and purpose • Some issues with instalment option • Graph helped some understand how the instalment plan worked
Suggested improvements	<ul style="list-style-type: none"> • Show monetary amounts alongside percentages • Replace percentages with monetary amounts • More explanation on the cost of advice • More explanation on the instalment payment options 	<ul style="list-style-type: none"> • Reorder the rows so all costs are shown together • Highlight the total advice costs • Move the graph to the front page • More information on the instalment option
Test of understanding	21 correct 15 incorrect	30 correct 6 incorrect
Usefulness in decision to accept recommendation	<ul style="list-style-type: none"> • Split views 	<ul style="list-style-type: none"> • Most could make a decision
Impact on shopping around	<ul style="list-style-type: none"> • Roughly equal numbers say it would/wouldn't encourage them to shop around • Some confusion as to whether shopping around would be allowed at this stage of the advice process 	<ul style="list-style-type: none"> • Most say it would encourage them to shop around • Some confusion as to whether shopping around would be allowed at this stage of the advice process
Overall preference	Document E	

Document D

SPONTANEOUS PERCEPTIONS

Spontaneous reactions to document D were mixed. Much of the reaction centred on the use of percentages to illustrate the cost of advice and the instalment options. Some respondents liked percentages but others were not so comfortable with them and would prefer to see monetary amounts instead. This type of reaction to the use of percentages has been seen in many other financial research studies and is well-known to FSA.

"It breaks everything down for me and it leaves me under no illusions about the cost of the product – there are no nasty surprises in store if I take this home with me."

Recent purchaser; sought advice

"[referring to percentage format] I get very vague and confused when it's done this way. I have to sit with a calculator to check it and half way through would decide it's not for me."

Future purchaser

The tabular format also divided opinion. Some thought it clear and well laid out whereas others saw it as cluttered and difficult to read.

UNDERSTANDING OF THE DOCUMENT

There was some confusion expressed over the option to pay by instalments. Some respondents were not clear how this option worked. Much of this confusion appeared to stem from the use of percentages. As noted above some people were less confident in using and interpreting percentage figures and will always prefer a monetary amount.

"It is just 'How long is a piece of string?' when you start working all the percentages out."

Future purchaser

For some, almost too much information was given in the document, e.g. it shows two alternative instalment options, and the amount of information can lead to confusion for some.

"I've given up the will to live by half way. It looks like there's too much information but at the bottom it is quite clear that your bill is £600."

Recent purchaser; sought advice

The language used was generally considered to be clear and the layout was fine for most. A few thought that the document looked 'busy', mainly due to the amount of information shown; although some commented that the spacing in the document could be improved.

Because it was on the second page, not everyone noticed the graph illustrating how the payment works at first. However, once it had been seen it was appreciated by some who thought it a very clear way to show this information.

"Option layout on the back is good - it says all the info that was said previously in a clearer way."

Future purchaser

SUGGESTED IMPROVEMENTS

A number of improvements to document D were suggested:

- show the advice cost first in monetary terms and then with the equivalent percentage in brackets;
- replace percentages completely with monetary amounts;
- more explanation on the cost of advice, i.e. what it is you are actually paying for;
- more explanation about the instalment payment options, e.g. are there any penalties - and what they are - should you miss an instalment payment;
- make it clearer that there are two alternative payment options and that you can select one or the other; and
- a radical suggestion to remove everything shown on the front page and to simply show an expanded version of the graph which is currently shown on page two.

For the mid–transaction documents, understanding was tested by asking respondents how much the advice in the document would cost per month if paying by instalments and the total cost of advice. For document D the correct answers were either £25 per month for 24 months, or £5 per month for 120 months, and the total cost of advice in each case was £600.

As the following table shows although most respondents achieved the correct answer many did not.

Table 20: Correct responses: document D

	Correct	Incorrect
Overall	21	15
Recent purchasers who sought advice	7	5
Recent purchasers who did not seek advice	6	3
Future purchasers	8	7

Views of whether the advice costs meet expectations were mixed and evenly split between those who thought the cost was reasonable, those who thought the cost too high and those who simply did not know what to expect in terms of cost.

“I don’t think it’s extortionate. They cost quite a lot of money – these financial advisers.”

Recent purchaser; sought advice

“It’s an awful lot to pay for a financial arrangement.”

Recent purchaser; sought advice

“I don’t know because I can’t work out what the price is, both over a time and initially.”

Recent purchaser; sought advice

USEFULNESS IN DECISION TO ACCEPT RECOMMENDATION

There were also split views as to whether a decision to accept the recommendation could be made based on the document. Those who felt they could make a decision mentioned that all the necessary information was in the document and that they could use this as a basis for a fuller discussion with the adviser. Those who said they couldn't make a decision mentioned that they didn't understand the information provided or that they would shop around first before making any decision.

Document E

SPONTANEOUS PERCEPTIONS

Spontaneous reactions to document E were generally positive. It was considered by many respondents to be very clear, using simple language and no jargon. The way the total cost of advice figures included the impact of paying by instalments was thought to be very helpful by some.

"So it's £600 if you pay immediately. If you don't, it's going to cost £635. That's clear."

Recent purchaser; sought advice

Document E was generally seen as simpler than document D as it does not have as many instalment options and shows monetary figures rather than percentages.

"It's exactly the same as D but it uses numbers, not percentages to show the cost of the product. It's more transparent as you have the figures in front of you don't need to work them out."

Recent purchaser; sought advice

UNDERSTANDING OF THE DOCUMENT

Most respondents said that they understood the document's content and purpose and that there was nothing that caused them any problems.

However, a small number had issues and these tended to be centred around the instalment option. Although the graph helped some to understand how the instalments work, a small number still did not understand how the instalments interacted with the cost of the product, i.e. whether the instalments were on top of the premium.

“The bit on the back is better than everything that they have on the front - after 24 months the full £100 will be paid into the investment product. It’s simple to me. I can’t see that on front.”

Future purchaser

“However they haven’t mentioned this bit before [on back] – how much you’re actually investing each month - although you could work it out. It’s good to have a pictorial representation as people’s brains work in different ways.”

Recent purchaser; sought advice

A few questioned the impact of paying by instalments upon the total cost of advice. The total cost rises from £600 to £635.04 and there is no explanation of why this should be the case.

SUGGESTED IMPROVEMENTS

Many of the suggested improvements to document E tended to focus upon the design and layout:

- reorder the rows so that all of the advice, product and instalment payment costs are together (at the moment the cost of advice and cost of product are separated from the instalment payment costs);
- highlight the total costs in colour;
- change from a tabular format to a letter format, i.e. more text;
- make the design brighter and more engaging;
- move the graph to the first page; and
- more information needed regarding the instalment option.

TEST OF UNDERSTANDING

Understanding was tested by asking respondents how much the advice in the document would cost per month if paying by instalments and the total cost of advice. For document E the correct answers were £26.46 per month for 24 months, and the total cost of advice was £635.04. Both these figures were shown in the document.

The majority of respondents achieved the correct answer, as shown in Table 21.

Table 21: Correct responses: document E

	Correct	Incorrect
Overall	30	6
Recent purchasers who sought advice	11	1
Recent purchasers who did not seek advice	7	2
Future purchasers	12	3

As with document D, views of whether the cost of advice met their expectations were mixed and evenly split.

“Yes, I think it sounds reasonable.”

Future purchaser

“It’s a lot of money to pay at the outset but unless I shopped around I would not know if it was standard.”

Recent purchaser; did not seek advice

“It’s much too high for an endowment! I could do that myself. I could find that information myself.”

Future purchaser

USEFULNESS IN DECISION TO ACCEPT RECOMMENDATION

Most respondents said that they could make a decision on the recommendation based on the document. Only a handful (five) said that they could not, with two of these (both recent purchasers who sought advice) saying that they felt they would be committed to using the adviser by this stage so that a decision to accept was not applicable.

Most also said that the document would encourage them to shop around for a better deal. However, as with document D there was some uncertainty as to whether they would actually be able to at this stage of the advice process.

"No. It's too late – information on cost would only be given after you receive the advice, you'd still have to pay for it even if you didn't go with it."

Future purchaser

"Looks like a bill, so I wouldn't get the choice."

Recent purchaser; did not seek advice

"You would have already received the advice, so you would be past that – you'd already be tied in, and have made the decision who you were going with."

Future purchaser

Mid-transaction documents: overall preference

Once both mid-transaction documents had been shown and discussed respondents were asked to choose which they preferred, the document they would be most likely to use and how they would use this document.

Document E was the preferred choice of the majority of the respondents (25 out of 36). Of the remainder eight said they preferred document D and three liked both documents equally. This pattern was repeated in terms of the document they would be most likely to use.

Reasons given for the preference for document E was strongly centred upon the fact that it used monetary figures rather than percentages. The way it also provided a clear figure for the total cost of advice if paying by instalments was also mentioned by some.

"It tells me specifically the price, I don't have to work it out."

Future purchaser

"It doesn't have percentages, it's less technical. You don't have to work it out yourself."

Recent purchaser; sought advice

Of those that preferred document D, some mentioned that it gave more options of how to pay (i.e. it shows two alternative instalment payment options). A couple of respondents said that they preferred percentages in financial documents

How respondents said they would use their preferred document is similar across both documents and all respondent types. Most said they would use the document to compare the cost of advice from different advisers and/or to initiate a discussion with the adviser.

Mid-transaction documents: test of understanding

Respondent understanding of the information contained in the two mid-transaction documents was tested in each case by asking how much the advice in the document would cost per month if paying by instalments and the total cost of advice.

Document E was very well understood with 30 out of 36 respondents being able to find the correct answer. Document D was less well understood, although 21 of the 36 respondents were still able to find the correct answer.

Document E was therefore stronger on preference and understanding both of which are influenced by the use of monetary amounts rather than percentages.

Conclusion

The findings from both the pre-transaction and mid-transaction stage of Element 2 highlight the challenge in developing disclosure documents that consumers can easily understand and which enable them to make informed decisions when seeking financial advice. Many of the views were mixed, with different respondents having different perceptions of what services were being offered; whether the cost represented good value and whether the document could enable them to make a decision (in respect of the pre-transaction document) regarding the use of an adviser.

The most significant observation, which will have an impact on the effectiveness of any document developed in the future, is the difficulty that the respondents had in disassociating the cost of advice from the financial product sought.

As the research shows, understanding the features that consumers find easy to understand is relatively straightforward and has been highlighted consistently in past research. These include the use of cash/monetary terms instead of percentages, a well spaced layout and graphical aids which could help understanding.

The bigger and more significant issue is helping consumers to understand that advice comes at a cost and that they need to take the effort to understand the cost, in some cases, regardless of whether they decide to purchase a financial product or not. At the same time, it is necessary that firms are encouraged to ensure that their disclosure documents are consumer-friendly but also, that they find ways to deal with consumers seeking further information if and when these arise.

APPENDICES

PRIVATE & CONFIDENTIAL	FSA RDR Labelling Research Element 1 – Topic guide v1	29/06/2009
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Start Time:	
Company Name:	
Respondent:	
Job Title:	
Interviewer:	

Thank you for agreeing to take part in this valuable piece of research. As you know, the Financial Services Authority (FSA) has commissioned IFF Research to test some new ways of defining and describing financial advisers and is seeking your views as an existing/ potential investor. This aim of the study is to help the FSA understand what might be effective in helping consumers better understand the service offered.

EXPLAIN CONFIDENTIALITY AND FINDINGS PRESENTED IN AGGREGATE FORM – COMMENTS NOT ATTRIBUTABLE TO RESPONDENT

IF NECESSARY:

The FSA, the chief watchdog for the financial services industry, aims to protect the rights of consumers. It is interested in understanding people’s views about purchasing financial products and how this might be improved.

The interview will take up to 45 minutes.

OBTAIN PERMISSION TO RECORD INTERVIEW

SECTION 1: WARM UP: INVESTING BEHAVIOUR (5 mins)

First of all I would like to obtain some background information about any investments you may have made in the recent past or are considering making in the near future, and to talk a little bit about your views of, and attitudes towards, investments.

1) What factors influence whether or not you would make an investment?

SPONTANEOUS THEN PROBE

- Purpose
- Triggers to invest / reason for timing of investment
- Things which prevent investing
 - Knowledge
 - Trust / belief
 - Options available
 - Lack of money
 - Anything else

ASK RECENT PURCHASERS

2) What types of investments do you currently have, or have you had in the past?

- Savings accounts
- Cash ISA
- Equity/ Stocks & Shares ISA
- Investment trusts/ OEICS
- Personal Pension, e.g. stakeholder, Group Personal Pension
- Savings Endowment
- Mortgage Endowment
- Unit Trust
- PEP/ TESSA

ASK FUTURE PURCHASERS

3) What problems have you encountered when investing or thinking of investing?

4) How do you make decisions about what to invest or where to invest?

SPONTANEOUS THEN PROBE

- Financial knowledge
- Own research
- Advice
 - Websites
 - Articles/ Newspapers
 - Family/ friends
 - Work colleagues
 - Professional advisers

SECTION 2: ROLE OF ADVICE (10 mins)

- 5) When making an investment decision, how important to you is advice on what to do with your money or a recommendation of what to buy? Why?
- 6) On a scale of one to ten how do you rate your own financial knowledge, one being low and ten being high?
- 7) What sources of advice have you used/ would you consider using?
- Family/ friends
 - Work colleagues
 - Financial advisers*
 - Professional advisers* (e.g. accountants, solicitors)
 - Bank*
 - Stockbroker*
 - Articles in financial press, e.g. Money Mail
 - Websites

ASK RECENT PURCHASERS WHO SOUGHT PROFESSIONAL FINANCIAL ADVICE

- 8) Could you tell me briefly about your experiences of using professional financial advice for saving/investing (for example, retirement planning)?

SPONTANEOUS THEN PROBE

What types of financial advice have you used? How often?

- 9) Thinking specifically about the last time you made an investment...

- Why did you choose this adviser?

PROBE FOR:

- Had you used them before?
- Were they recommended by family/ friend/ colleague?

- How did you choose this adviser?

PROBE FOR:

- Whether considered more than one?
- Whether compared prices/commission?
- Whether felt offered good/poor service? Why?
- Whether felt offered good/poor advice? Why?
- Whether know how much advice cost?

ASK RECENT PURCHASERS WHO DID NOT SEEK PROFESSIONAL ADVICE

CONFIRM THAT DID NOT USE ADVICE WITH THEIR LAST INVESTMENT

- 10) Why did you not use any professional financial advice in the last investment you made?

PROBE FOR:

- Don't need professional financial advice
- Simple process
- I know enough to do it
- Didn't think about it
- Bad experience in past
- Lack of trust
- Not interested in financial matters – don't find financial advice interesting
- Don't like focussing on financial advice – it's not a priority

- 11) Did you consider taking professional financial advice when you made your last investment? Why? Why not?

- 12) Have you ever considered using professional financial advice? Why? Why not?

SECTION 3: SPONTANEOUS TESTING OF TERMS (15 mins)

For the remainder of our discussion I'd like to look at some terms which could be used to describe financial advice services. They could be example of services that you might consider using if you were looking to invest.

I am now going to show you a few examples:

Sales Advice – **SHOWCARD 1**

Restricted Advice – **SHOWCARD 2**

Non-independent Advice – **SHOWCARD 3**

Tied Advice – **SHOWCARD 4**

Affiliated Advice – **SHOWCARD 5**

Limited Advice – **SHOWCARD 6**

TAKE OUT SHOWCARDS ONE AT A TIME RANDOMISE FOR EACH RESPONDENT

For each card ask questions 13 and 14

13) What comes to mind when you see this?

14) Would you have questions? If so, what?

SPONTANEOUS THEN PROBE

15) After obtaining spontaneous response on all six cards, show one card at a time and probe:

- What kind of service would you expect to receive? Why?
- What type or level of service would expect? Why?
- Do you think you could rely on the advice provided? Why?
- How likely do you think you would be to use such a service? Why?
- How wide a range of products do you think would be considered?

AFTER ALL CARDS HAVE BEEN SHOWN

16) a) Thinking about these services, which would you be most likely to use and why?

b) Which would you be least likely to use and why?

SECTION 4: DISTINGUISHING BETWEEN INDEPENDENT AND NON-INDEPENDENT ADVICE (5 mins)

The FSA thinks that it is important for consumers to know whether the advice they are getting is independent or non-independent. The FSA has defined independent advice and non-independent advice as follows.

PRESENT SHOWCARDS DESCRIBING INDEPENDENT AND NON-INDEPENDENT ADVICE

SHOWCARD 7

An independent adviser is not restricted in what they are able to offer you; they are generally able to select all products from all the different providers in the market. They will find you the most suitable products from the whole market.

SHOWCARD 8

A non-independent adviser is only able to offer you advice on a restricted range of providers so they can only offer products from these providers – in some cases only one provider's products is considered. They will find you the most suitable product from their limited range, although it may not be the most suitable product from the whole market.

17) What do you think of these descriptions?

SPONTANEOUS THEN PROBE

- How simple and easy to understand are they? Why? Why not?
- What do you think are the key differences?

IF NOT MENTIONED, PROMPT:

- The FSA sees the key difference as the range of solutions, or financial products that the adviser will consider when giving you advice
- Would this be a factor for you in deciding whether or not to use a particular adviser?
- How important is the distinction (between the range of solutions/financial products offered)?

HNWI ONLY - ADDITIONAL SECTION (5 mins)

I'd now like to show you some showcards. They may relate to independent advice, non-independent advice or they could be either.

Investment management **SHOWCARD 11**

Wealth management **SHOWCARD 12**

Private Banker **SHOWCARD 13**

Stockbroker **SHOWCARD 14**

TAKE OUT SHOWCARDS ONE AT A TIME

RANDOMISE FOR EACH RESPONDENT

- What does this mean to you?
- What type of service do you think would be offered?
- How wide a range of products do you think would be considered?
- Do you think it relates to independent advice, non-independent advice or could be either? Why do you think that?
- Is the distinction between independent and non-independent advice important in relation to these types of services? Why?/Why not?

SECTION 5: PROMPTED TESTING OF TERMS (10 mins)

The terms I have shown you are designed to describe non-independent advice. I'd now like you to tell me how effective you think each of these is in communicating to you that it is non-independent advice, as it is defined on this card:

GO THROUGH SHOWCARDS ONE AT A TIME IN SAME ORDER AS PREVIOUSLY

- 18) What do you think of this one?
SPONTANEOUS THEN PROBE
- Why do you think this is effective/ not effective in describing non-independent advice?
 - Why?
 - Is there anything in particular about this label that makes it particularly suitable/ unsuitable in describing non-independent advice?

AFTER ALL SHOWCARDS HAVE BEEN SHOWN

- 19) In your view, which of the labels describes non-independent advice most clearly?
Why do you think this is?
- 20) Do you think any of the other labels provide a clear description of non-independent advice? Why?

SECTION 6: TESTING NEGATIVE DISCLOSURE (5 mins)

I'd now like you to imagine that you are meeting a financial adviser who is introducing themselves to you. I'll read out and show you what they say.

My name is _____ I am a financial adviser. I offer advice on products from a limited range of companies. (Statement X) SHOWCARD 9

My name is _____ I am a financial adviser. I do not consider all products or all providers in the market. (Statement Y) SHOWCARD 10

**TAKE OUT SHOWCARDS ONE AT A TIME
RANDOMISE FOR EACH RESPONDENT.**

- 21) What does this mean to you?
SPONTANEOUS THEN PROBE
- What does this tell you about the advice being offered?
 - Would this be helpful to you in deciding whether or not to use the service? Why? Why not?
 - What else would you want to know?

After both cards have been shown:

- Which statement do you find the most informative?
- Thinking about the labels for non-independent advice that we discussed earlier, you thought that [] was most helpful in telling you that the advice is non-independent – [show relevant card to remind respondent]. How does that compare with this statement [show Statement Y] – which do you think is more useful in helping you decide whether or not to use the adviser? Why?

SECTION 7: FINAL WRAP UP AND CLOSE (2 mins)

- 22) The FSA is interested in your ideas on how non-independent services can best be described in a short and simple way. Can you think of any other names/labels or terms that would be suitable to describe non-independent financial services?
- What labels?
 - Do you think they are better than the labels we have just discussed? Why? Why not?
 - What word(s) would need to be part of any label for non-independent services? Why?
- 23) Is there anything else you'd like to add about anything we have been discussing today?

THANK AND CLOSE

AFFILIATED
ADVICE

LIMITED
ADVICE

NON-INDEPENDENT
ADVICE

RESTRICTED
ADVICE

SALES ADVICE

TIED ADVICE

An independent adviser is not restricted in what they are able to offer you; they are generally able to select all products from all the different providers in the market. They will find you the most suitable products from the whole market.

A non-independent adviser is only able to offer you advice on a restricted range of providers so they can only offer products from these providers – in some cases only one provider's products is considered. They will find you the most suitable product from their limited range, although it may not be the most suitable product from the whole market.

**My name is _____ I
am a financial adviser. I
offer advice on products
from a limited range of
companies**

**My name is _____ I
am a financial adviser. I
do not consider all
products or all providers
in the market**

WEALTH
MANAGEMENT

PRIVATE
BANKER

INVESTMENT
MANAGEMENT

STOCKBROKER

PRIVATE& CONFIDENTIAL	FSA RDR Labelling Research Element 2 – Topic guide v1	29/06/2009
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Start Time:	
Company Name:	
Respondent:	
Job Title:	
Interviewer:	

Thank you for agreeing to take part in this valuable piece of research. As you know, the Financial Services Authority (FSA) has commissioned IFF Research to test some new ways of communicating the cost of financial advice and is seeking your views as an existing/ potential investor. The aim of the study is to help the FSA understand what might be effective in helping consumers better understand the cost of financial advice.

EXPLAIN CONFIDENTIALITY AND FINDINGS PRESENTED IN AGGREGATE FORM – COMMENTS NOT ATTRIBUTABLE TO RESPONDENT

IF NECESSARY:

The FSA, the chief watchdog for the financial services industry is an independent body that aims to protect the rights of consumers. It is interested in understanding people's views about purchasing financial products and how this might be improved.

The interview will take up to one hour.

OBTAIN PERMISSION TO RECORD INTERVIEW

SECTION 1: WARM UP: INVESTING BEHAVIOUR (5 mins)

First of all I would like to obtain some background information about any investments you may have made in the recent past or are considering making in the near future, and to talk a little bit about your views of, and attitudes towards, investments.

24) What factors influence whether or not you would make an investment?

SPONTANEOUS THEN PROBE

- Purpose
- Triggers to invest / reason for timing of investment
- Things which prevent investing
 - Knowledge
 - Trust / belief
 - Options available
 - Lack of money
 - Anything else

ASK RECENT PURCHASERS

25) What types of investments do you currently have, or have you had in the past?

- Savings accounts
- Cash ISA
- Equity/ Stocks & Shares ISA
- Investment trusts/ OEICS
- Personal Pension, e.g. stakeholder, Group Personal Pension
- Savings Endowment
- Mortgage Endowment
- Unit Trust
- PEP/ TESSA

ASK FUTURE PURCHASERS

26) What problems have you encountered when investing or thinking of investing?

27) How do you make decisions about what to invest or where to invest?

SPONTANEOUS THEN PROBE

- Financial knowledge
- Own research
- Advice
 - Websites
 - Articles/ Newspapers
 - Family/ friends
 - Work colleagues
 - Professional advisers

SECTION 2: ROLE OF ADVICE (10 mins)

- 28) Can I ask what your views are of professional financial advice in general?
- 29) When making an investment decision, how important to you is advice on what to do with your money or a recommendation of what to buy? Why?
- 30) On a scale of one to ten how do you rate your own financial knowledge, one being low and ten being high?
- 31) What sources of advice have you used/ would you consider using?
- Family/ friends
 - Work colleagues
 - Professional advisers
 - Bank
 - Stockbroker
 - Articles in financial press, e.g. Money Mail
 - Websites

ASK RECENT PURCHASERS WHO SOUGHT PROFESSIONAL FINANCIAL ADVICE SPONTANEOUS THEN PROBE

- 32) Could you tell me briefly about your experiences of using professional financial advice?

What types of financial advice have you used? How often?

- 33) Thinking specifically about the last time you made an investment...

- Could the adviser you used advise on all products in the market or just on the products of one or two providers?
 - How did you find this out?
 - How important was this in your decision to use them?

ASK IF DIDN'T KNOW THE SCOPE OF SERVICE THE ADVISER OFFERED PROBE FOR:

- Why not?
- Were they aware of the different distinctions but not bothered about the scope of advice? Why?
- Why did you choose this adviser?
PROBE FOR:
 - Had you used them before?
 - Were they recommended by family/ friend/ colleague?
- How did you choose this adviser?
PROBE FOR:
 - Whether considered more than one?
 - Whether compared prices/commission?
 - Whether felt offered good/poor service? Why?
 - Whether felt offered good/poor advice? Why?
 - Whether know how much advice cost?
 - Was the cost important?
 - Did you have an idea of what you would have been prepared to pay for the advice?

ASK IF DID NOT HAVE IDEA OF WHAT THEY WERE PREPARED TO PAY FOR THE ADVICE PROBE FOR:

- Why not?
- What was the most important factor in your decision?

**ASK RECENT PURCHASERS WHO DID NOT SEEK PROFESSIONAL ADVICE
CONFIRM THAT DID NOT USE ADVICE WITH THEIR LAST INVESTMENT**

34) Why did you not use any professional financial advice in the last investment you made?

PROBE FOR:

- Don't need professional financial advice
- Simple process
- I know enough to do it
- Didn't think about it
- Bad experience in past
- Lack of trust

35) Did you consider taking professional financial advice when you made your last investment? Why? Why not?

36) Have you ever considered using professional financial advice? Why? Why not?

SECTION 3: TESTING THE PRE-TRANSACTION DOCUMENT (20 mins)

For the remainder of our discussion I'd like us to look at the kind of information you might receive before deciding whether to use a professional financial adviser. You would be able to obtain this information before talking to a financial adviser and the information would consist of a price list of the services the adviser provides.

37) Is this something that would be of interest to you? Why? Why not?

I am now going to show you three examples of such a document:

**TAKE OUT SHOWCARDS (PRE-SELECTED BASED ON INTERVIEW QUOTA) ONE AT A TIME;
SWAP ORDER FOR EACH RESPONDENT – SHOWCARDS A, B & C**

38) What do you think of this document?

SPONTANEOUS THEN PROBE

What do you like / dislike about it?

- Purpose
- Content
- Language
- Design
- Layout
- Colour

SPONTANEOUS THEN PROBE (FOR EACH DOCUMENT)

- Have you ever been given a document like this before?
- How clear is the information provided? Do you understand all the services that are on offer?
- Is there anything you don't understand?
- How useful do you think this document is?
- Do you feel you could make a decision on what financial adviser/investment product to go for based on this document?
- Would being given such a document encourage you to shop around for the best available deal?
- Is there anything that could be added / removed in order to improve the information provided in the document?

AFTER EACH DOCUMENT SHOWN

Let's assume you have £10,000 to invest, looking at the document can you tell me how much it would cost for a full investment review/ full advice and implementation/ Initial consultancy?

- Is the price within your expectation of what you would expect to pay for this advice?
- What kind of service do you think you would receive?

AFTER ALL THREE DOCUMENTS HAVE BEEN SHOWN

39) Which of the three documents do you prefer?

SPONTANEOUS THEN PROBE

- Why do you prefer it?
- Which one of the documents are you most likely to use and why?
- How would you use this document? Why?

SECTION 4: TESTING THE MID-TRANSACTION DOCUMENT (20 mins)

Moving on I would now like to assume that you have chosen the Financial Adviser you would like to use. After assessing your personal circumstances and giving you some advice this adviser would now provide you with another document which shows:

- *How much they will charge you for the advice they have given*
- *The different ways that you can pay for the advice given*
- *The impact of each payment option upon the total cost of advice.*

40) Is this something that would be of interest to you?
Why? Why not?

I am now going to show you two examples of such a document:

TAKE OUT SHOWCARDS (PRE-SELECTED BASED ON INTERVIEW QUOTA) ONE AT A TIME; SWAP ORDER FOR EACH RESPONDENT – SHOWCARDS D & E

41) What do you think of this document?
SPONTANEOUS THEN PROBE

What do you like / dislike about it?

- Purpose
- Content
- Language
- Design
- Layout
- Colour

SPONTANEOUS THEN PROBE (FOR EACH DOCUMENT)

- Have you ever been given a document like this before?
- How clear is the information provided? Do you understand all the services that are on offer?
- Is there anything you don't understand?
- How useful do you think this document is?
- Do you feel you could make a decision whether to go the recommendation or not based on this document?
- Would being given such a document encourage you to shop around for the best available deal?

- Is there anything that could be added / removed in order to improve the information provided in the document?

AFTER EACH DOCUMENT SHOWN

- What exactly are you paying for?
- Is the price within your expectation of what you would expect to pay for this advice?
- If you were to pick this option, how much does it cost per month? What would the total cost be?
- If you were to lose your job and no longer afford the payments into the product, do you still have to pay for the cost of advice specified here? If not, why not?

AFTER BOTH DOCUMENTS HAVE BEEN SHOWN

42) Which of the two documents do you prefer?

SPONTANEOUS THEN PROBE

- Why do you prefer it?
- Which one of the documents are you most likely to use and why?
- How would you use this document? Why?

SECTION 5: FINAL WRAP UP AND CLOSE (5 mins)

- 43) The FSA is interested in your ideas on how the cost of purchasing financial advice can best be communicated to consumers. Can you think of any other information that would be useful, or of any other ways in which the cost of financial advice can be explained?
- What information/ approaches?
 - Do you think this information would improve the documents we have just reviewed? Why? Why not?
 - Do you think this approach would be better than the documents we have just reviewed? Why? Why not?
 - What information would need to be part of any document explaining the cost of financial advice? Why?
- 44) Is there anything else you'd like to add about anything we have been discussing today?

THANK AND CLOSE



Smithey Financial Advisory Services Ltd
Making your money work for you

Already know what you want advice on?

<u>Service</u>	<u>Initial charge</u>	<u>Ongoing charge for bi-annual review</u>
<ul style="list-style-type: none"> ▪ Review of your pension arrangements (pre-retirement) 	Charged at hourly rate (approx. 4-6 hours)	Service available on request for 0.5% of your investment per year
<ul style="list-style-type: none"> ▪ Advice on what to do with your pension fund (at retirement) 	Charged at hourly rate (approx. 2-3 hours)	
<ul style="list-style-type: none"> ▪ Where to put your savings (for those with up to £25,000 to invest) 	3% of your investment, if you go ahead with our recommendations	
<ul style="list-style-type: none"> ▪ Protecting you family: advice on life cover and other protection products 	<i>Ask inside for details</i>	
<ul style="list-style-type: none"> ▪ Reviewing your mortgage arrangements 	Free if we can't find you a better deal! £500 if you go ahead with our recommendation.	

Our Comprehensive Advisory Services

<ul style="list-style-type: none"> ▪ Full Investment review – covering your savings, investments, protection and pension planning needs 	3% of your investment (up to a maximum of £3,000)	0.5% of your investment per year
<ul style="list-style-type: none"> ▪ Inheritance tax planning 	Ask inside for charging details	
<ul style="list-style-type: none"> ▪ Bespoke services including saving for school fees, retirement planning 		

Full Advisory Services

Charges per hour (Unless otherwise stated)

Director/Partner	£200 (exc. VAT)
Financial Adviser	£100 (exc. VAT)
Administrator	£55 (exc. VAT)



Smithey Financial Advisory Services Ltd
Making your money work for you

Advisory Services: Pricing

Initial Consultancy includes introductory research and analysis review £500 - £1,000 + VAT (actual amount will depend on the complexity of the work involved).

Investment Management Fees

- **Up to £25,000 p.a** **3% initial plus up to 0.5% ongoing annual charge**
- **Between £25,001 - £50,000 p.a** **2.5% initial plus up to 0.5% ongoing annual charge**
- **Between £50,001 - £100,000 p.a** **2% initial plus up to 0.5% ongoing annual charge**
- **Over £100,000 p.a** **1.5% initial plus up to 0.5% ongoing annual charge**

The Initial Consultancy Fee can be offset against the Investment Management fee if we make investments on your behalf



Smithey Financial Planning Limited

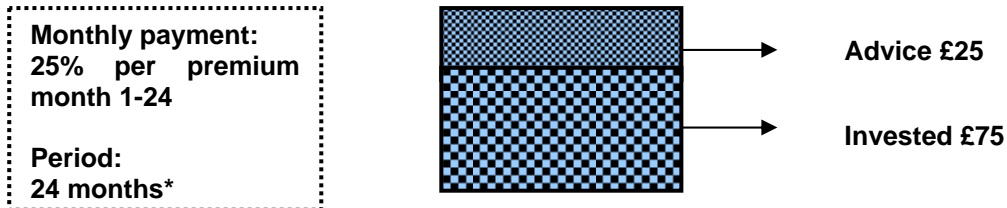
How much do I have to pay?

Client Name	Audrey Mackintosh
Advisor name	Andrew Smithey
Advice Service Required	Long term savings plan
Cost of advice	5% of every premium <input type="checkbox"/>
	25% of first 24 monthly premiums <input type="checkbox"/>
Cost of product	£100pm less monthly instalments (if any)
Product purchased	Endowment
Product Term	10 years
Advice Payment structure <i>*deducted from monthly premiums</i>	25% of first 24 premiums Equivalent to £25 per month 5% of every premium paid for 120 months Equivalent to £5 per month.
If instalments, how many instalments	24 monthly instalments of £25 120 monthly instalments of £5
Commencing:	(date of first payment) 1 ST April 2009
Ending :	(date for last payment) Option 1: 1 st March 2011 Option 2: 1 st March 2019
Total cost of advice:	£600.00

The cost of advice you received today £600

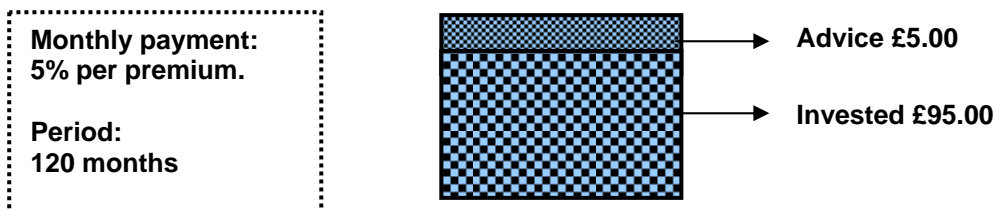
How Your Payment Plan Works On a monthly basis?

Option 1



**after 24 months the full £100 per month will be paid into your investment product*

Option 2



IMPORTANT: You are responsible for the full payment of the advice you received today even if you stop making payments into your chosen investment product.



Smithey Financial Planning Limited

How much do I have to pay?

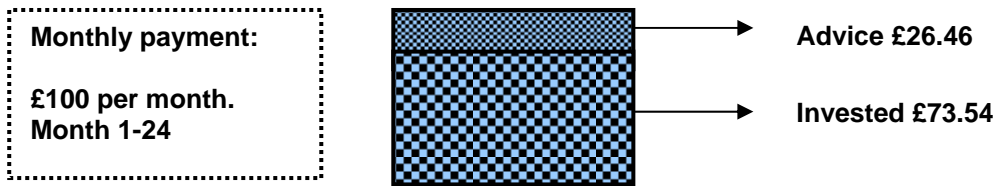
Client Name	Audrey Mackintosh
Advisor name	Andrew Smithey
Advice Service Required	Long term savings plan
Cost of advice	£600 <input type="checkbox"/>
	Instalments of £26.46 for 24 months <input type="checkbox"/>
Cost of product	£100pm less monthly instalments (if any)
Product purchased	Endowment
Product Term	10 years
Advice Payment preferred	Lump sum upfront of £600 payable by 1 st April 2009
Lump sum <input type="checkbox"/>	OR
Instalments <input type="checkbox"/>	Instalments of £26.46 per month/quarter/year
If instalments, how many instalments	24 instalments
Commencing:	(date of first payment) 1st April 2009
Ending :	(date for last payment) 1st March 2011
Total cost of advice:	Option 1: £600.00 Option 2: £635.04

The cost of advice you received today:

Lump sum: £600

Instalment plan: £635.04

How Your Instalment Plan Works?



**after 24 months the full £100 per month will be paid into your investment product*

IMPORTANT: You are responsible for the full payment of the advice you received today even if you stop making payments into your chosen investment product.

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