

July 2005



FSA®

# 05/12 *newsletter* ★★

This newsletter provides a summary of CP05/12. Please see 'Who should read this paper?' below to see if CP05/12 is relevant to you.

Financial Services Authority

## Investment product disclosure: proposals for a Quick Guide at the point of sale

### Why are we issuing this paper?

We are asking for views on our proposal that firms selling investment products should give consumers a 'Quick Guide' at the point of sale.

These proposals, which we developed following consumer testing, form one element of the measures we will consult on to improve information given to consumers at the point of sale.

### Who should read this CP?

This CP will be of interest to all firms who sell, arrange deals in or advise on retail investment products and consumers, their advisers and their representatives.

The paper is relevant to retail consumers and consumer groups because we describe some of the measures we propose introducing to improve the quality of information about packaged products<sup>1</sup> that firms give consumers.

<sup>1</sup> Packaged products include life policies with an investment element, personal pensions including stakeholder pension schemes, units or shares in collective investment schemes and investment trust savings schemes.

## What is the background to this?

The original objectives of our current point-of-sale disclosure regime for packaged products were to:

- give consumers the information they need about a product and its charges so that they can make informed decisions about whether to buy it; and
- ensure that the information is presented in a format and at a time that helps consumers make comparisons between products and providers.

These objectives remain valid today, but it has long been recognised that one of the key problems in the current regime is that many consumers do not read the information (specifically the Key Features Document (KFD)) that firms give them at the time of the sale. So we announced we would review our regime (the Disclosure Review<sup>2</sup>).

As part of our review, we published Consultation Paper 170 *Informing consumers: product disclosure at the point of sale* (CP170, February 2003). This proposed a package of measures to improve the information firms must provide to consumers, at the point of sale, about retail investment products.

In the light of the volume and variety of responses received, we decided to develop our proposals further and undertake additional consumer testing. Also, in June 2003, we announced our intention to review the regime governing the provision of all projections and the use of assumed rates of return (which are central to our approach to explaining charges at the point of sale). This resulted in us publishing Discussion Paper 04/1 *Projections review – the case for change* (DP04/1, July 2004).

One element of the proposals in CP170 was the Quick Guide. Since then, we have made some important changes to our original proposals to take account of the feedback to CP170 and the results of further consumer testing we have since undertaken.

## What does the paper contain?

In the paper, we:

- set out, where relevant, the feedback we received to our proposals in CP170 and, in particular, on issues relating to product suitability;
- give details of the results of our consumer testing on the Quick Guide; and
- set out our revised proposals for the Quick Guide.

## What happens next?

If you want to comment on the proposals in the paper, please let us have your comments by 31 October 2005. We have included questions throughout the paper and would particularly welcome your answers. We will make responses publicly available unless respondents request otherwise.

We recognise that the Quick Guide is only one of the elements within a wider disclosure package. Work on the other elements is still underway; we aim to publish a second CP in March 2006, which would include our proposals for other aspects of the disclosure package, in particular:

- a new approach to projections, taking account of the need to explain risks and rewards; and
- the disclosure of charges.

The March CP will also contain feedback, where relevant, from this CP.

### Consumers

This CP is relevant to retail consumers and consumer groups because we describe some of the measures we propose introducing to improve the quality of information about packaged products that firms give consumers. These products include life policies with an investment element, personal pensions (including stakeholder pension schemes), units or shares in collective investment schemes and investment trust saving schemes.

The Financial Services Authority invites comments on this Consultation Paper. Please send your comments to reach us by 31 October 2005.

Please address any comments or queries to:

Neely Bailey  
Retail Investments Policy  
Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

Telephone: 020 7066 1772  
Email: [cp05\\_12@fsa.gov.uk](mailto:cp05_12@fsa.gov.uk)

It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise.

## How can I get the full paper?

You can download the full Consultation Paper from:  
[www.fsa.gov.uk/pages/Library/Policy/CP/2005/05\\_12.shtml](http://www.fsa.gov.uk/pages/Library/Policy/CP/2005/05_12.shtml)

Or you can order hard copies of the paper:  
Phone our helpline on 0845 608 2372, quoting reference CP05/12

Order online at: [www.tso.co.uk/bookshop/bookstore.asp?FO=1159966&DI=510776](http://www.tso.co.uk/bookshop/bookstore.asp?FO=1159966&DI=510776)  
Copies are available at £10 each. Please allow five working days for delivery.

We also have a targeted email alert service for all FSA newsletters.  
To subscribe please visit: [www.fsa.gov.uk/pages/Doing/Contact/Register/index.shtml](http://www.fsa.gov.uk/pages/Doing/Contact/Register/index.shtml)

For more information on our publications, please go to:  
[www.fsa.gov.uk/Pages/library/index.shtml](http://www.fsa.gov.uk/Pages/library/index.shtml)

To get the latest information online, please visit our home page:  
[www.fsa.gov.uk](http://www.fsa.gov.uk)