

Financial Services Authority

# Polarisation

## Feedback to CP80

March 2001

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## Executive Summary

The overall response to Consultation Paper 80 (CP80) was one of broad support for the proposed changes to the polarisation rules. Some caution was expressed by some, nevertheless supportive, respondents who were concerned that consumers should not become confused about the status of the person advising them. Of the three proposals put forward, relaxation of the rules for Stakeholder pension schemes (SHPs) and direct offer advertising commanded the greatest support.

The strong support for the SHP proposals was founded in a widespread belief that it was important for SHPs to get off to a good start and that the proposal facilitated that aim. Respondents backed the arguments that the scope for consumer detriment was substantially reduced by minimum standards. Support for the direct offer advertising change was based on the view that this would facilitate an important new innovation in customer relationship management and service which also bore limited risks worth running. A number of firms also expressed strong support for the amendments to the rules that would allow fund supermarkets to continue when the Conduct of Business Sourcebook (COBS) rules come into force. Opinion on CAT standard ISAs was more mixed. The concern was that the relaxation would not move the market very much and gave relatively little benefit for little risk. Respondents reacted to this in two distinct ways. One was to argue for delay leaving the position of ISAs to the second round of consultation. The other was to argue that all ISAs should be liberalised to make the benefits greater. Predictably, this difference of view is split between consumer bodies and product providers respectively.

The views of the IFA sector were principally expressed through its trade association, AIFA, who were against these changes because they considered that they compromised the concept of independent advice for no tangible return. In addition, some 37 out of 4,000 IFA firms made direct responses.

More generally, there was some recognition that the proposals were the first stage of a process in which the more complex issues would be tackled in the second stage. Several respondents anticipated a more substantive consideration of the issues then.



In view of the overall reaction to these proposals the FSA has decided to proceed with them as set out in CP80 for SHPs and direct offer advertising. This will improve access and choice and represent good value for money for consumers in circumstances where the down-side risk is limited and further improvements to disclosure above those already implemented are under development. The FSA has decided to defer reforms for CAT standard ISAs and consider them again as part of the wide-ranging review later in the year.

Any comments or enquiries on this Policy Statement should be sent to:

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

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