Retail Distribution Review

Update 2017

An Exercise in Unaccountable Regulation driven by the Social Engineering

The Heath Report Three

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The Heath Report 2

- **Demonstrated that RDR had lost access to advice to 16m consumers – 10m of whom were adviser clients**
- **Became the <u>only</u> non-regulator sponsored report**
- **Influenced Government thinking across the world**
- **UK Regulator attempted to ignore it for 18 months**
- **Both Regulator and Government eventually accepted it's findings**
- **Based both on assembling published data and our own survey research**

UK Market 2015

- **UK IFA Market = £6bn pa [€8bn]**
- **33,000 advisers**
  - **22,000 Directly Authorised**
  - **11,000 via Networks**
- **Employing > 120,000**
- **IFA sector historically 70% of UK Distribution - Life, Pensions and Investments by value**
- **Pension 80%+**

UK Market 2017

- **UK IFA Market = £4.5bn pa [€6bn]**
- **33,405 advisers**
  - **20,043 Directly Authorised**
  - **13,362 via Networks**
- **Employing > 120,000**
- **IFA sector 80% of UK Distribution - Life, Pensions and Investments by value**
- **Pension 63%**

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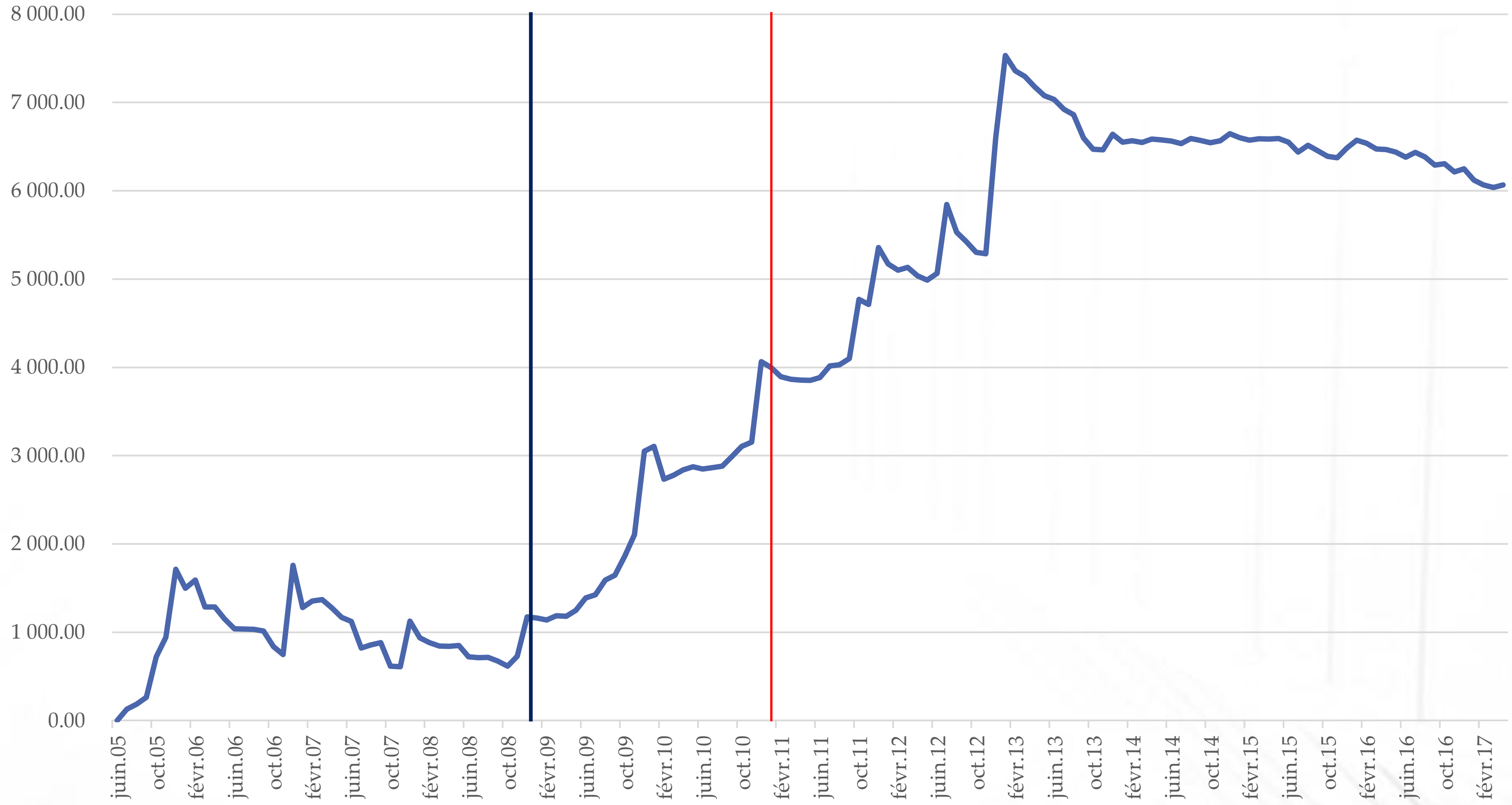
The Results

Adviser Numbers

	IFA	IFA
Peak IFA Numbers was June 2005	**39,500**	
RDR announced November 2008	**38,750**	
Parliament Nov 2010	**36,250**	
2015 Adviser Numbers	**33,000**	
2017 Adviser Numbers		**33,405**
Adviser Loss since RDR was announced	5,750	5,345

Lost Adviser Numbers



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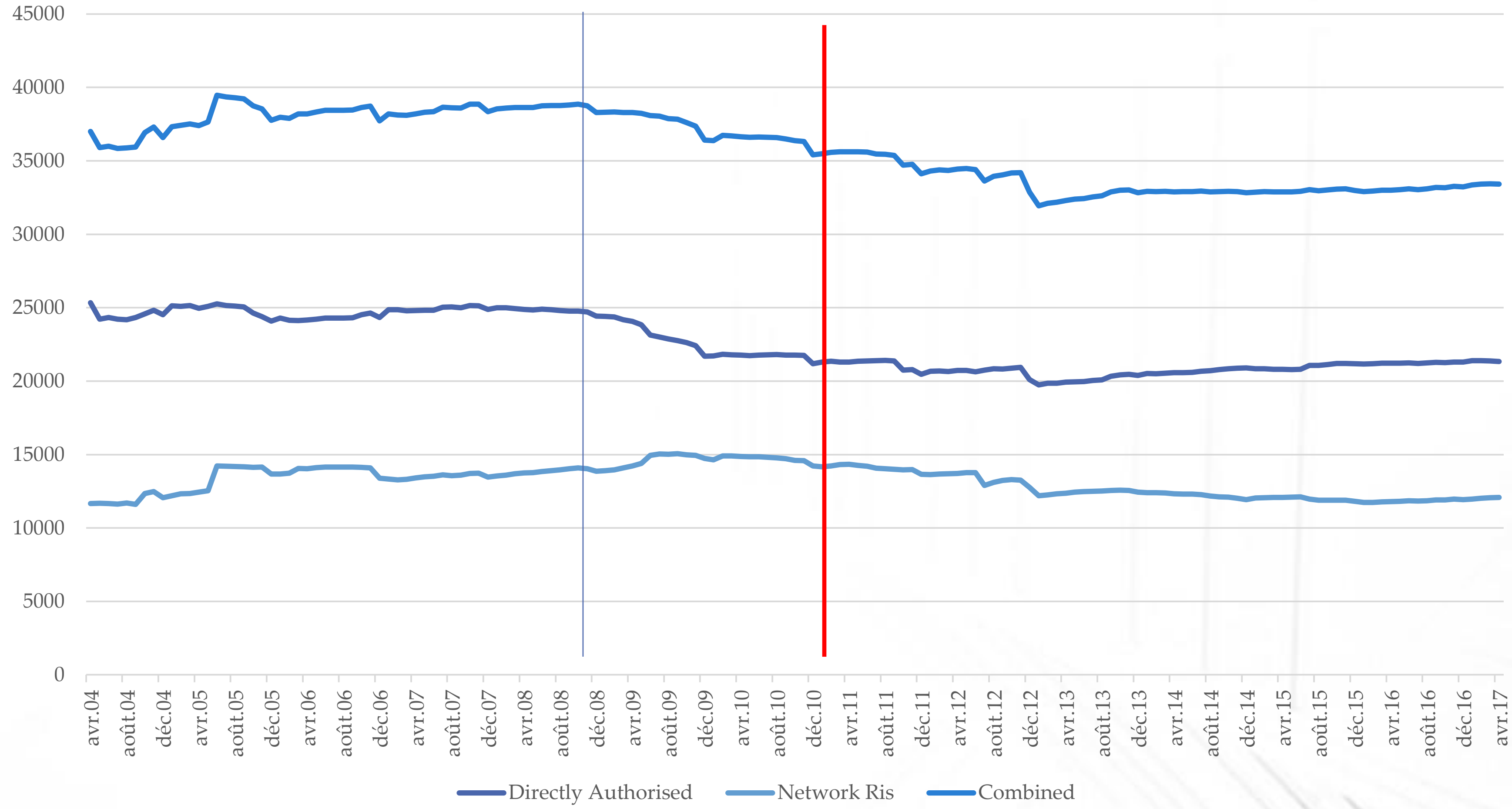
Current Adviser Numbers



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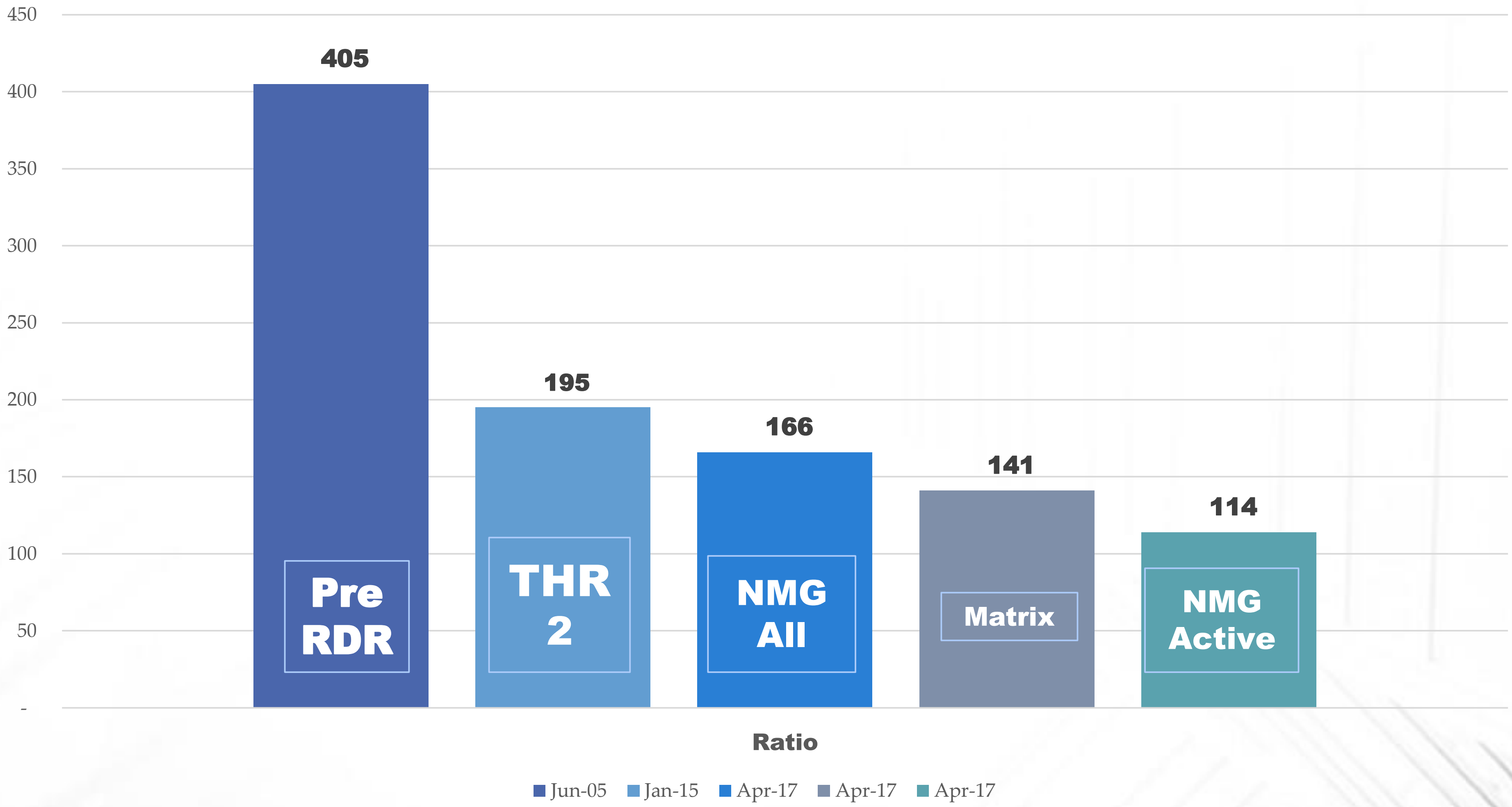
Adviser Client Ratio



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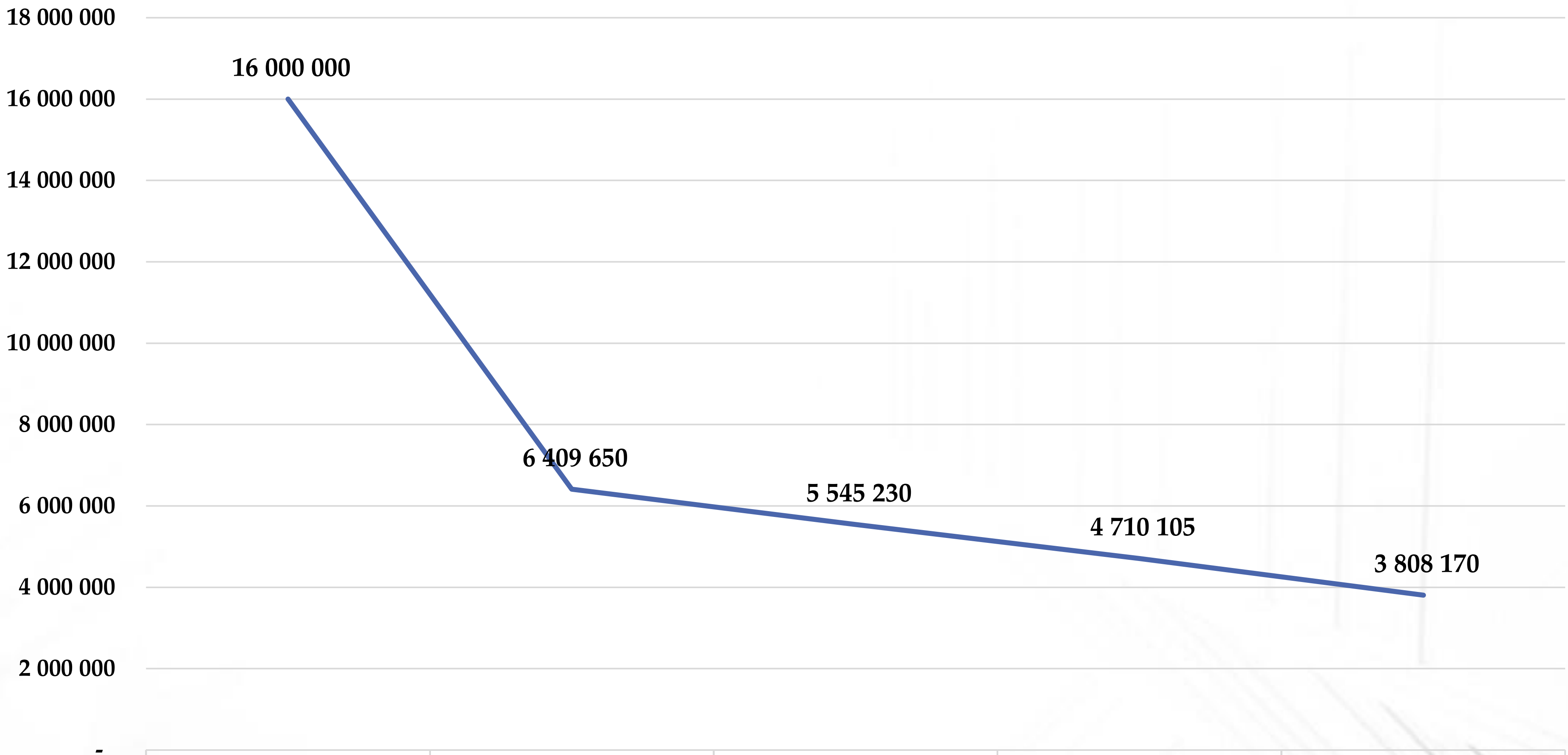
Sector Capacity



	Jun-05 FSA/FCA	Jan-15 THR2	Apr-17 NMG Total	Apr-17 Matrix Total	Apr-17 NMG Active
Capacity	16 000 000	6 409 650	5 545 230	4 710 105	3 808 170

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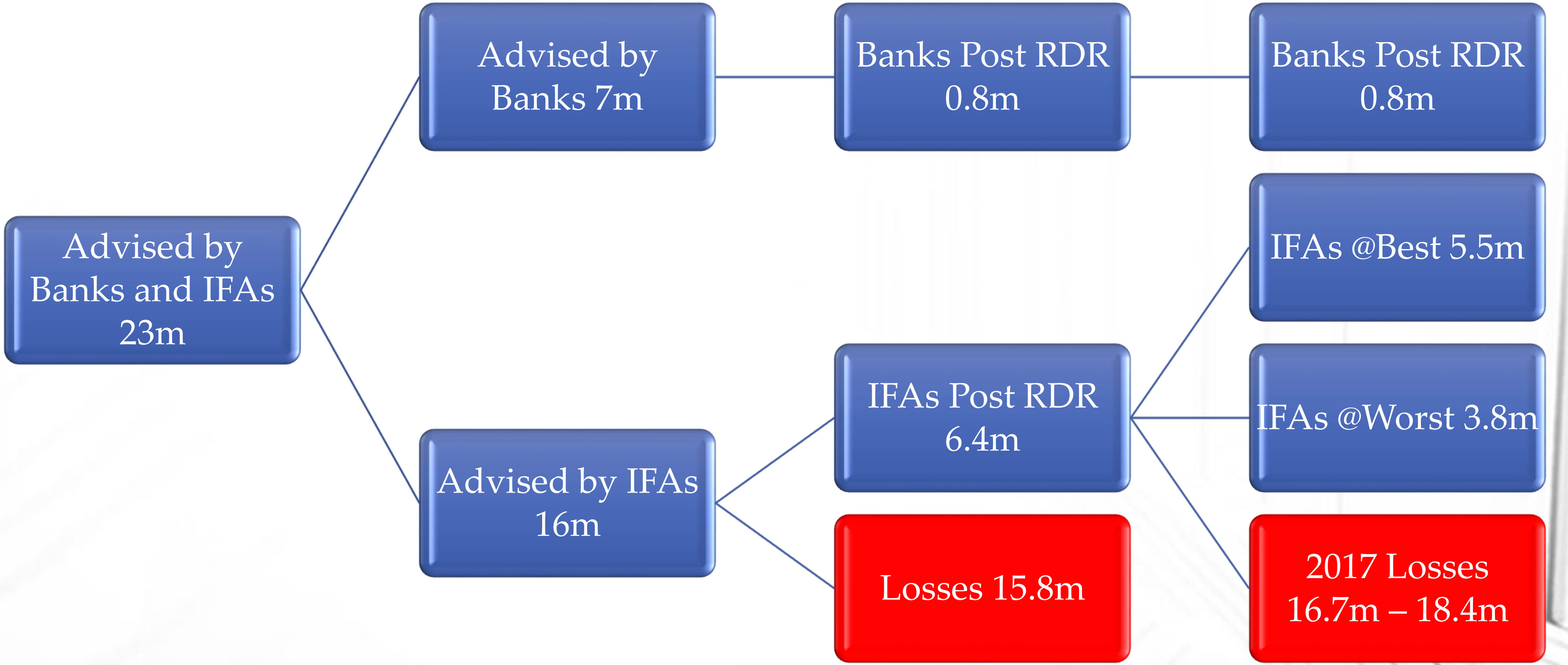
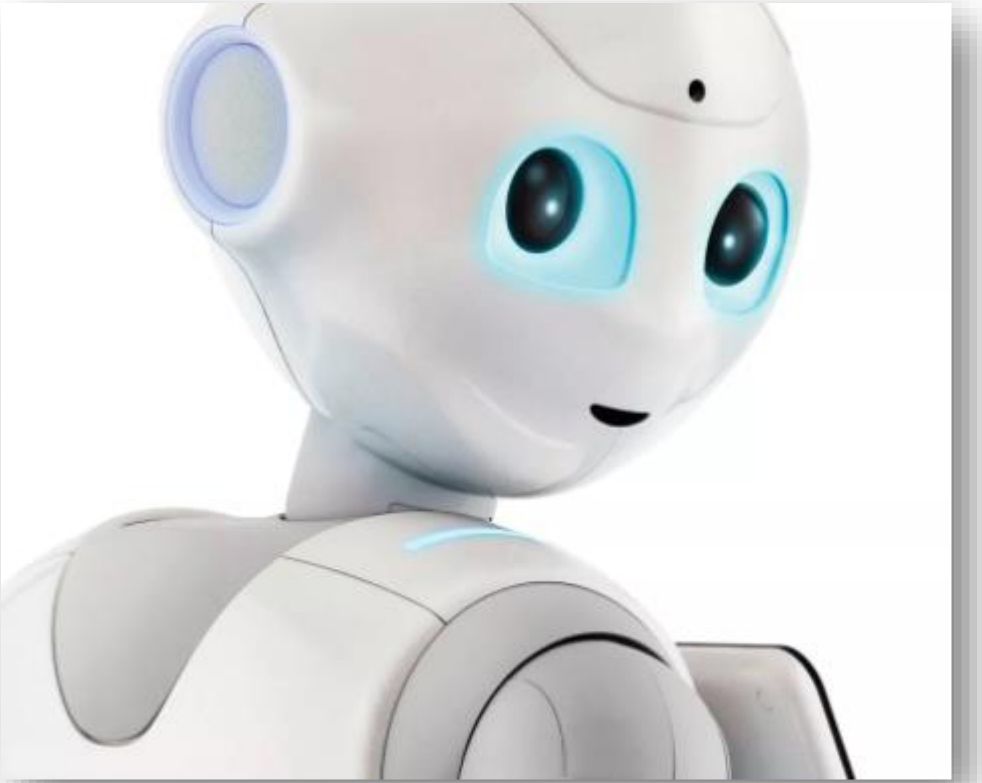
The Public Good Question THR3



ROBO-Advice – The FCA's solution for 16m consumers



Simplified Advice – Failed!

Decision Trees – Failed

Robo-Advice – Will Fail

Consumers need human reassurance

The less they know the more they need

Investment is scarce thanks to FOS

The Players

Parliament

Financial Conduct Authority

Financial Ombudsman

Financial Services Compensation scheme

What drives The UK Regulator?

- **The FCA was created as an Anti Commerce, Anti Personal Provision, Left of Centre body.**
  - **“Industry can not be trusted”**
- **Is unaccountable to anyone**
- **Its prime desire is to grow in size and influence**
- **It is not even accountable to its component parts.**

FCA
FINANCIAL CONDUCT AUTHORITY

Financial
Ombudsman
Service

fscs
Financial Services
Compensation Scheme

What drives The UK Regulator?

- The FCA makes the rules which are very general
- FOS – The Ombudsman ignores those rules and invents its own
- FSCS – has different timescales and rules to FOS.
- The Effects
- PI Insurance is but dead

FCA
FINANCIAL CONDUCT AUTHORITY

Financial Ombudsman Service

fscs
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What drives The UK Regulator?

<u>The Effects</u>

- PI Insurance market is profoundly compromised and almost dead
- Incoming sector investment does not trust FOS.
- The sector is not replacing itself

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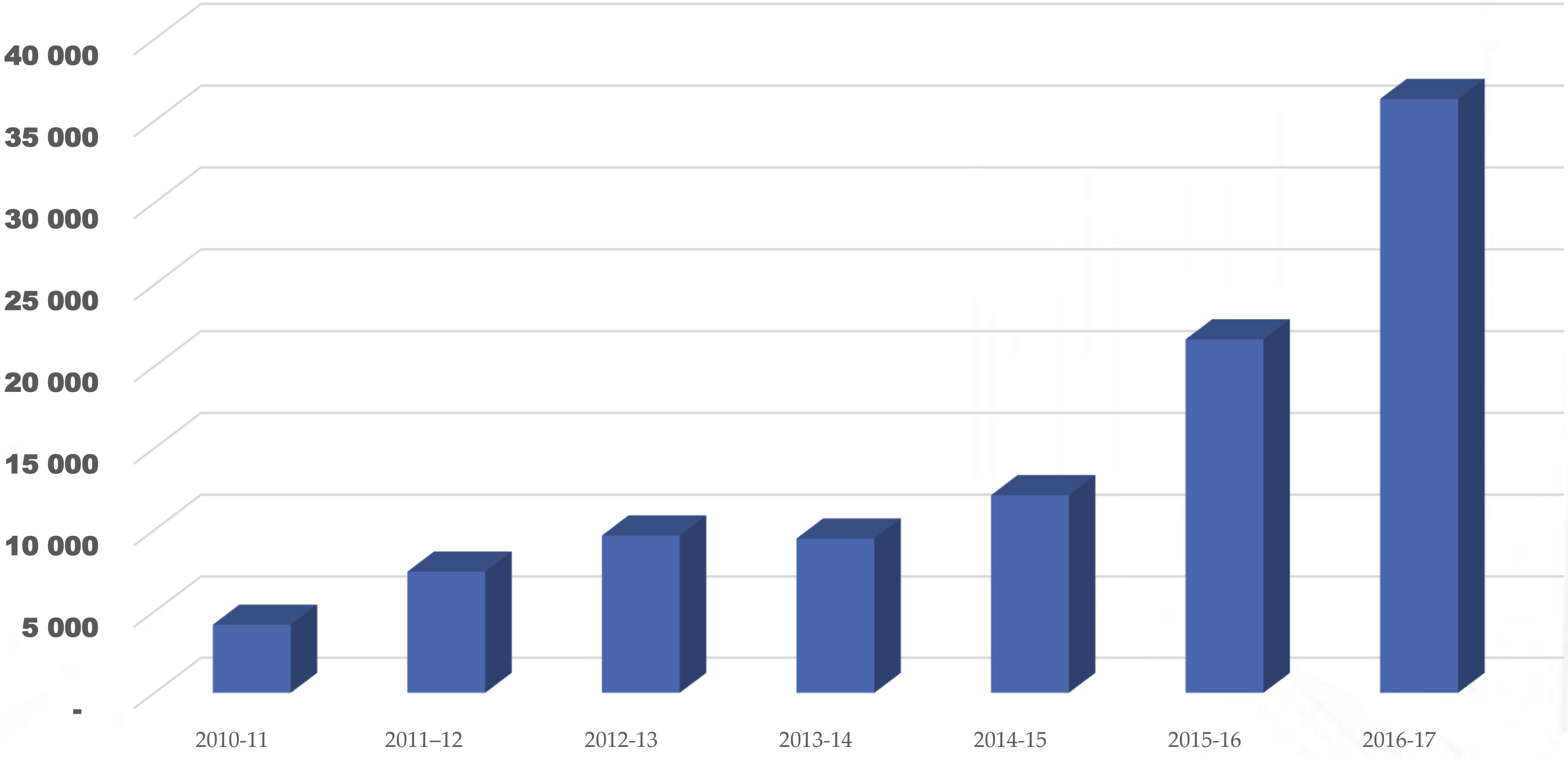
Average Member Regulatory Costs



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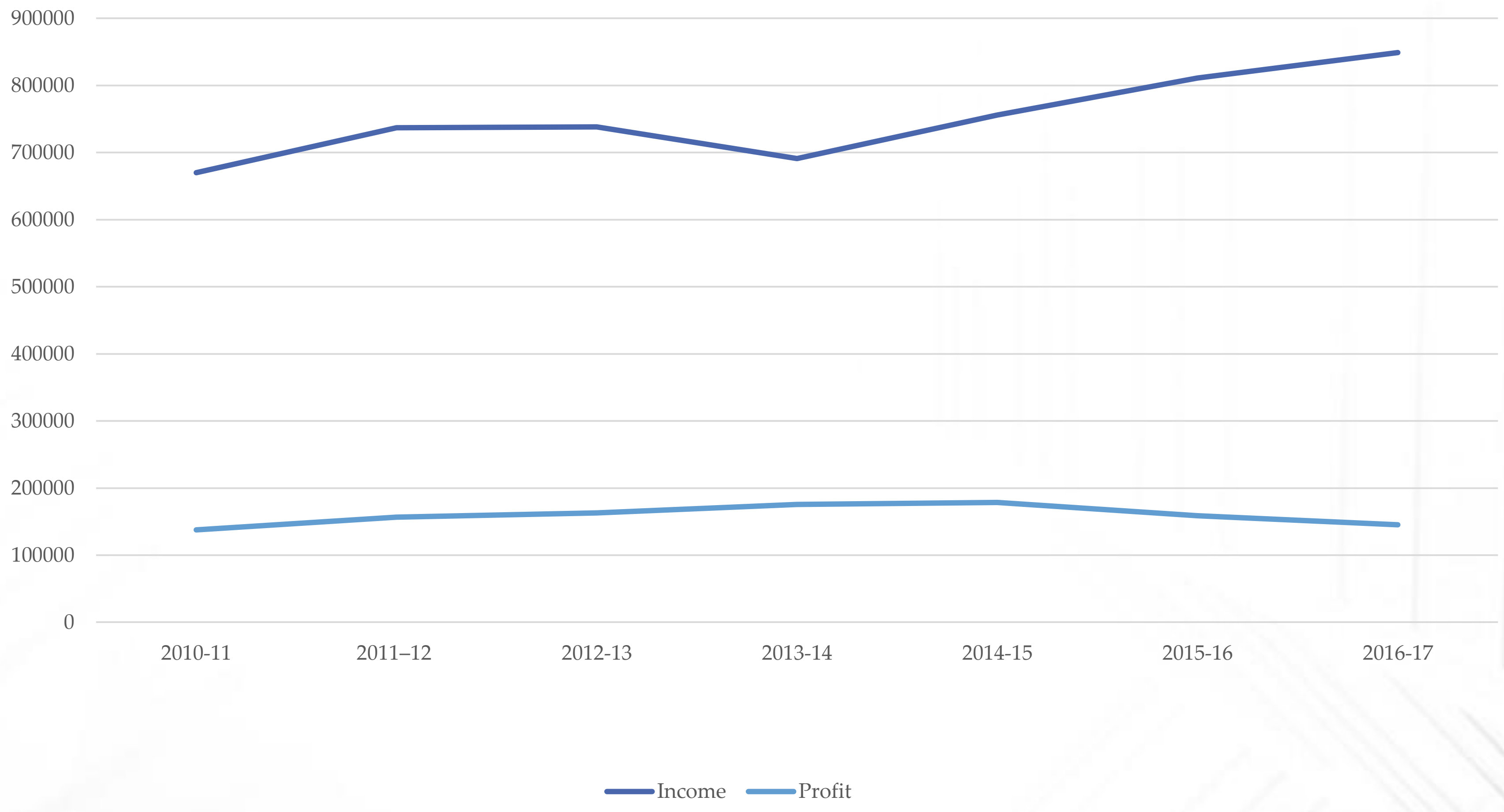
Av. Adviser Firm Income/Profit



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Spiral of Decline

IFAs have now hit the tipping point.

Profits are dropping due to increased regulatory costs

Regulator now seeks to cut adviser's charges

Lessons for European IFAs

- All regulators meet regularly and copy each others ideas
- UK regulators try to lead European Regulation by developing ideas before directives
- European IFAs need a strong UK association
- All European IFAs must join common cause with consumer bodies against the costs and excesses of regulation
- All European IFAs must join and support their Association

The Players

The Consumers

18m Consumers without an adviser

The advisers

The future

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The Lost 19m

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