

# a time for valued advice?

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 The financial advice industry is going through major reform which has prompted some to question the potential impact of this year's General Election, particularly if, as widely anticipated, there is a change of Government.

**John Lappin** canvasses the views of financial advisers and industry experts to gauge the likely impact.  
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An election must be held by the start of the June and most financial advisers are happy about the prospects for change. If advisers were the electorate, the Tories would get a huge majority. A November poll for Money Marketing/YouGov gave the Conservatives 68 percent against the Liberal Democrats on 10 and Labour on 8, with 13 percent for others. So most advisers want change – but how much?

CBK Colchester IFA Peter Chadborn says advisers don't want institutions turned upside down or reforms ditched completely, but hopes for a significant change in emphasis.

"IFAs in general are positive about this being an election year," he says. "They feel there has been an imbalance in regulation with the focus on IFAs rather than big institutions, and there is a sense of optimism that there will be a rebalancing. On the assumption there will be a change in Government, we hope for more common sense and pragmatism."

Hampshire IFA Nexus managing director Kerry Nelson is focusing on the financial planning considerations: "You don't know what is going to happen in an election. You don't know what is going to be whipped out from under your feet. Get your clients to use all their allowances now."

Her attitude to the big regulatory decisions is that it would be foolish not to plan for the full RDR. "Even if there was change, even if things were to be reversed, it is still going to be a year or two before anything happens because they are going to have bigger priorities," she says.

AIFA's Director General, Chris Cummings, would agree.

"On the RDR pure politics rule. It is very difficult for a politician to lower standards of professionalism or to consider the benefits of commission. There aren't votes to win on that. We may get something on timescales but they have all said that they shouldn't interfere," he says.



“ This could be the first genuinely internet-influenced election in the UK ”

## party directions

Cummings believes that there may be compromise over the capital requirements in the event of a Conservative win. AIFA is also gearing up for a big push on the long stop.

“There will be 200 new MPs. We are starting a political campaign for advisers to be brought into line with other sectors. There is a Ministry of Justice review so it isn’t special pleading.”

Of course, a Tory win is not a foregone conclusion. AIFA has concerns over current Labour plans to allow the FSA to do a past business review without consulting Parliament.

“Labour has set a change agenda based on bolstering financial services regulation and giving the FSA more powers. A lot more power and less accountability,” he says. There have been some wins though including the fact the National Audit Office will regularly look at not just the FSA but also the FOS.

Not to neglect the Lib Dems, Cummings says AIFA will help them define their policy of

strengthening the tripartite system. But it is with the Tories that AIFA senses the best chance to exert most influence with the creation of the new Consumer Protection Agency (CPA).

“We are on the group that is looking at this for the Tories. It’s not just about creating the correct regulatory structure – what would happen if the statutory duty of the regulator were to increase the savings rate? What if the Office of Fair Trading has a new regulatory statutory responsibility? What about the FOS? What if it became part of the FSA? What if the people who write the rules and supervise them decide on the complaints? This would bring more consistency.”

Cummings encourages advisers to lobby MPs and parliamentary candidates but to do so by offering solutions to problems. He recommends the AIFA guide ‘How to lobby your MP’.

## exerting influence

Public affairs firm Cicero Consulting’s Iain Anderson says that this may well be the first election in which the internet has a bearing.

“At an election there is plenty of opportunity to get in front of candidates. This could be the first genuinely internet-influenced election in the UK though anyone trying to change the manifestos should realise it is pretty much locked down.”

Anderson says, looking at the Tories, the areas advisers should concentrate on are those where change is expected – the CPA and reviews of personal accounts and taxation.

“The Tories also have ambitions to bring down corporation tax for small- and medium-sized enterprises”, he says. “The fiscal position means there will be a lot more talk about personal responsibility and that is a fundamental opportunity,” he says.

Malcolm Small, Director of Portfolio and Retirement Planning for the Tax Incentivised Savings Association, believes advisers should

be making the case for the retention of Child Trust Funds, but most importantly the reversal of cuts to higher-rate tax relief on pensions. He says it has badly hit sentiment and not just for higher earners.

“Given the number of sitting MPs no longer standing there is a huge opportunity for IFAs countrywide to help take new MPs through the big issues,” he says.

## economy

Not all financial advisers will be interested in the nitty-gritty of lobbying, but will want the economy in safe hands. Henderson New Star’s Chief Economist, Simon Ward, says: “I think the whole debate about fiscal policy is the key to the investment outcome. We do need a signal in the next six months. Concerns are overdone but I am more optimistic.”

Ward believes that the public are prepared for cuts so that even a coalition, which he says is a high probability outcome, should get enough public support for decisive action.

On the inflation outlook, Ward says he was surprised to hear Mervyn King recently describe the fall in the pound, oil price rises and rising indirect taxes as temporary price level effects and suggests this may indicate a practical loosening of the inflation target.

Ignis Smaller Companies Manager David Clark says: “I tend to find that Governments come and go and stock markets don’t react terribly much. The big problem is a hung Parliament. Financial markets hate uncertainty. They don’t have an affinity for one hue or another; they get used to it, but if they don’t know who’s in charge, they hate that. It is fiscally and commercially imperative that the deficit is cut.”

Cummings adds: “The thing that markets need is stability. What we need is a snap election to end this grey world we are in.”

*John Lappin is a journalist with more than a decade’s experience covering financial services.*

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