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In Focus: Pushing the advice boundary Feb 13 2024

## 'FCA review must not allow firms to walk away from responsibility'

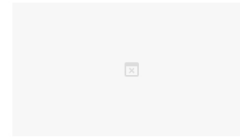
Gary Bush



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## DIVERSITY IN FINANCE AWARDS 2024

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We tend to like simplified processes, but we still count them as within the full advice remit – it's good to attempt to streamline transactions for the benefit of the consumer and advice firm, however we feel full responsibility should be taken regardless.

Some financial products do lean towards a need for simplified advice or guidance due to not being complicated or featuring a low potential for risk, but these decisions should be enforced by the regulator and not left down to providers to potentially push the boundaries too far.

History has taught us that executing transactions with no advice and passing responsibility to the consumer isn't a sound and safe practice.

### Clueless

Members of the public have no idea how the boundaries between advised and guided services work.

When account holders call their existing lender, or new borrowers respond to providers' adverts and speak to their teams, they are now used to long and tedious fact-finding processes to gain answers on products.

The problem is when these calls end with banks and building societies spelling out rates that are available consumers often think that this is the provider providing bespoke rates that fit their circumstances from an assessment of the details they have provided.



Time savings and slick processes should not be abused by being allowed to take no risk for the advice.

They often aren't clear that they are just accepting a product based on what is available, rather than what is suitable for their long-term needs; that no analysis has been carried out other than lenders checking that they are happy with the client, not with what the client decides on for their future.

For financial practitioners like us, even if we use our time-saving technology to

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take vast amounts of data from our clients, instantly access months of bank account transaction data from our bespoke open banking link, or receive client credit account history from the four credit bureau agencies straight into our systems for automatic analysis, we still confirm and provide full advice on the potential outcomes of all our fact-finding and comparison work to our clients.

Time savings and slick processes should not be abused by being allowed to take no risk for the advice by companies.

#### A new approach

If financial companies aren't providing any advice on a range of complicated products, for example mortgages, insurance, investments, pensions etc, I think that a new approach needs to be adopted that makes it crystal clear to consumers that although providers might be guiding them by the hand to a potential transaction, the financial decision is being taken based on their selection and understanding of the terms, and suggesting that if they are in any doubt at all they should seek assistance from a suitable advice firm.

To weaken the previous regulatory stance back to the ability for large corporates to churn out endless non-advised sales does take us back down potentially dangerous roads again.

On the flip-side, it's clear that for some products a level of relaxation should be applied by regulators and providers, for example short-term savings arrangements of instant access savings or notice period fixed savings accounts with a guaranteed low-risk investment environment.

At the moment financial advisers have little or no access to savings products from providers in such a category and it's clear that a large amount of the UK population have little or no savings to their names.

In the past it was far easier for advisers to recommend a level of saving and we are losing an awful lot of growth potential for these products if advice firms are not able to recommend and instigate with providers a simple and low-risk savings plan.

To have employees in their twenties now exploring a bitcoin environment as a savings route, as there is very little opportunity for a savings provider to get in front of them, does make for sad reading.

Discussions of this nature can very easily be included in a first-time buyer mortgage application process by financial advisers on even a no-advice basis, as long as the product is safely ring-fenced.

But sadly the industry isn't demonstrating enough enthusiasm to fix the very obvious savings gap that exists.

There is an awful lot that can and needs to be done with UK financial services to make it more 2024, but we don't agree that this should come with firms walking away from responsibility for products that they arrange off the back of these technical solutions, especially for more complicated transactions.

*Gary Bush is a financial adviser at Mortgage Shop*



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